CAUSE NO. DC-18-18371

MARBLE RIDGE CAPITAL LP and MARBLE RIDGE MASTER FUND LP,	§	IN THE DISTRICT COURT
	§	
Plaintiffs,	§	
	§	
v.	§	116th JUDICIAL DISTRICT
	§	
NEIMAN MARCUS GROUP, INC., MARIPOSA INTERMEDIATE HOLDINGS LLC, NEIMAN MARCUS GROUP LTD LLC, THE NEIMAN MARCUS GROUP LLC, and NEIMAN MARCUS GROUP INTERNATIONAL LLC,	§	
	§	
Defendants.	§	DALLAS COUNTY, TEXAS

MARBLE RIDGE'S MOTION TO DISMISS COUNTERCLAIMS PURSUANT TO THE TEXAS CITIZENS PARTICIPATION ACT

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<u>MARBLE RIDGE'S MOTION TO DISMISS COUNTERCLAIMS PURSUANT TO THE TEXAS CITIZENS PARTICIPATION ACT</u>

Plaintiffs Marble Ridge Capital LP and Marble Ridge Master Fund LP (collectively, "Marble Ridge"), file this Motion to Dismiss Counterclaims Pursuant to the Texas Citizens Participation Act ("TCPA") and would respectfully show the Court as follows:

INTRODUCTION

1. On December 10, 2018, Marble Ridge commenced this lawsuit (the "Action") charging that transfers of assets with over $1 billion of value by Neiman Marcus Group LTD LLC ("Neiman" or the "Company") to its controlling shareholder *for no consideration* were fraudulent under governing fraudulent transfer law. In transparent retaliation for bringing this Action, the Company and the other defendants involved in the fraudulent transfer (the "Neiman Defendants") have asserted meritless counterclaims (the "Counterclaims") against Marble Ridge. The Counterclaims frivolously assert that Plaintiffs' pre-suit statements (the "Statements") *questioning* Neiman's compliance with its debt instruments and expressing *concern* about the possibility that the transfers resulted in a default under Neiman debt instruments were defamatory and constituted business disparagement.

2. The Counterclaims are subject to dismissal under the TCPA because the Neiman Counterclaims are impermissibly directed to chilling Plaintiffs' exercise of their right to free speech with respect to issues of public concern. As with any SLAPP[1] suit, the Counterclaims are not brought with the intention to vindicate a legitimate grievance. The entire purpose of the Counterclaims is to attempt to bully, intimidate, and silence Marble Ridge and to chill other stakeholders of Neiman from criticizing the Neiman Defendants, Ares Management L.P. ("Ares")

[1] SLAPP is a colloquial acronym that stands for "Strategic Lawsuit Against Public Participation." *See In re Lipsky*, 411 S.W.3d 530, 536 n. 1 (Tex. App.—Fort Worth 2013, orig. proceeding), *mand. denied*, 460 S.W.3d 579 (Tex. 2015).

and Canada Pension Plan Investment Board ("CPPIB," and together with Ares, the "LBO Sponsors," the ultimate owners of Neiman and beneficiaries of the Neiman Defendants' misconduct).

3. The Texas legislature enacted the TCPA to "encourage and safeguard the constitutional rights of persons to petition, speak freely, [and] associate freely." Tex. Civ. Prac. & Rem. Code § 27.002. The Neiman Counterclaims are the precise type of litigation abuse that TCPA was enacted to remedy. To prevent retaliatory suits, such as the Counterclaims, from achieving their pernicious goal of stifling First Amendment rights and freedoms, the TCPA provides a pathway to early dismissal of a SLAPP suit without discovery and with an award of attorney's fees and costs. Tex. Civ. Prac. & Rem. Code §§ 27.003, 27.006. As established herein, Marble Ridge is entitled to the immediate dismissal of the Counterclaims pursuant to the TCPA and to the award of attorney's fees and costs.

4. *All* of the allegedly defamatory Statements on which the Counterclaims are predicated involve legitimate and well-publicized concerns about the availability of assets to satisfy Neiman's outstanding $4.8 billion debt load. It is not disputed by the Neiman Defendants that, on or about September 16, 2018, Neiman transferred one of its most profitable brands and fastest growing business – with an alleged value of approximately $1 billion at that time – to its equity owners *for no consideration*. These transfers occurred against the backdrop of Neiman's widely known and documented distressed financial condition. As its own public disclosures show and as underscored by the financial press and analysts that cover Neiman, Neiman has been struggling as the result of industry and company specific developments that long predate the purported defamation and disparagement that form the alleged basis for Neiman's Counterclaims. The underlying causes of Neiman's financial distress include successive leveraged buyouts, most

recently led by Ares and CPPIB, which have encumbered the Company with its unsustainable debt load. Since approximately 2015, the drag of this debt load has been exacerbated by entirely foreseeable weaknesses in key markets in which Neiman operates and Neiman's failure to adapt to this rapidly changing environment. A chorus of financial analysts have characterized Neiman's debt load as "unsustainable" and have projected that a distressed restructuring is in the offing. Given these facts and having nothing to do with the making of the Statements, the Company's debt has been downgraded by Moody's and S&Ps. According to a Senior Credit Officer of Moody's, "The downgrade of NMG's Corporate Family Rating reflects its *unsustainable leverage levels and short dated maturity profile* despite its improved performance in the face of a healthy North America luxury market." *See* Affidavit of Dan Kamensky, dated January 2, 2018 ("Aff."), Ex. 26 (emphasis added).

5. Now, with this SLAPP suit, Neiman purports to blame Marble Ridge for Neiman's own troubles and goes so far as to accuse Marble Ridge, a creditor, of causing its distress and credit agency downgrades. As demonstrated herein, however, the public record shows that the causes of Neiman's current, deeply impaired financial condition, recent credit agency downgrades and industry "noise" about a distressed restructuring have absolutely nothing whatsoever to do with Marble Ridge but with the actions of the Neiman Defendants and the LBO Sponsors. Marble Ridge's Statements did not cause Neiman's troubled financial condition any more than a rooster's crow causes the sun to rise.

6. Under the TCPA, immediate dismissal of the Counterclaims and a fee award are mandatory if, as here, the nature of the Counterclaims make them subject to the TCPA and either (a) Plaintiffs prove any valid defense by a preponderance of the evidence, *or* (b) Neiman fails to supply "clear and specific" proof for every element of the two counterclaims it has asserted. It is

beyond question that the Counterclaims are subject to the TCPA and subject to dismissal on *both* grounds.

7. A preponderance of the evidence shows Marble Ridge is able to establish, at a minimum, two valid, dispositive defenses requiring dismissal of the Counterclaims under the TCPA. *First*, the Statements alleged as defamatory are both true and non-actionable opinions. *See* Section II.B.1, *infra*. The Neiman Defendants knew or should have known better. *Second*, the Counterclaims are precluded as a matter of law based on judicial-proceeding privilege. *See* Section II.A, *infra*. This well-established privilege applies to all of the allegedly defamatory Statements because all of them bear a close relationship to a planned lawsuit, as apparent on the face of the writings upon which the Counterclaims depend.

8. Moreover, these Counterclaims must be dismissed because the Neiman Defendants cannot establish, through "clear and specific" evidence all of the elements of the causes of action asserted, namely that Plaintiffs, acting with *actual malice*, published a *false statement of fact* that *proximately caused actual damage to Neiman*. Indeed, as shown herein, the Neiman Defendants cannot establish *any* of these elements.

9. The Neiman Defendants will be unable to provide "clear and specific" evidence of actual malice, which requires that Marble Ridge made its Statements knowing that they were false or, at minimum made recklessly. The Neiman Defendants' baseless, formulaic, and unsubstantiated accusation of "malice" consists of nothing more than a rote allegation that "on information and belief" Marble Ridge "did not assess whether there was a good faith basis" for the Statements. This is demonstrably false, as was known by the Neiman Defendants. Marble Ridge had numerous discussions with the Company and financial advisors to the Company leading up to its letter and gave the Neiman Defendants multiple opportunities to allay their legitimate concerns.

See Aff. ¶¶ 12-16. However, Marble Ridge was stonewalled and repeatedly told that the Company would not comment on the basis for the Redesignation. *See id.*

10. Finally, the Neiman Defendants cannot show the "special damages" that it acknowledges are an element of the Counterclaims. *See* Defendants' Original Answer, Verified Denial, and Original Counterclaims (the "Ans.") ¶ 71. Doubling down on the absurdity of laying at Marble Ridge's feet the responsibility for Neiman's condition, the Neiman Defendants assert that Moody's and S&P credit ratings for Neiman are "in part" attributable to the Statements. *Id.* ¶ 60. Yet, it is well settled that rating agencies do not base their ratings on "noise," as Neiman chooses to characterize the Statements. *See id.*; Aff. ¶¶ 23-25. Indeed, the idea of laying at Marble Ridge's door responsibility for Neiman's credit rating is nothing short of fantastical. The fears and anxieties of all stakeholders in Neiman are real and well-founded, as evidenced by Neiman's own desire to restructure its indebtedness to avoid potential default when the debt becomes due.

FACTUAL BACKGROUND

11. Neiman's precarious financial condition has been the topic of scores of articles by financial analysts and widely reported in the general, business, and industry press. *See* Aff., Exs. 1, 3-15, 24-27, 29. By way of example, Reuters headlines the past three years tell the story well:

- "*Neiman Marcus same store sales fall for first time in 6 years*" (December 14, 2015);
- "*Neiman Marcus CDS widens 45%*" (December 17, 2015);
- "*Neiman Marcus same-store sales fall for 2nd straight quarter*" (March 15, 2016);
- "*Neiman Marcus' same-store sales fall amid apparel slowdown*" (June 14, 2016);
- "*Neiman Marcus posts bigger loss due to asset writedowns*" (September 26, 2016);
- "*Neiman Marcus CEO on conf call - Operational challenges in Q1 included inventory; management system transition*" (December 13, 2016);

- "*Struggling upscale U.S. retailer Neiman Marcus pulls IPO*" (January 6, 2017);
- "*Neiman Marcus hires debt restructuring adviser*" (March 3, 2017);
- "*Debt-laden Neiman Marcus says exploring options, including sale*" (March 14, 2017);
- "*Neiman Marcus bondholders left guessing*" (March 17, 2017);
- "*Debt-laden Neiman Marcus abandons hope of a sale*" (June 13, 2017); and
- "*Neiman Marcus in talks with lenders for debt overhaul*" (October 3, 2018).

Aff., Exs. 3, 5-15.

12. It is fact, not "falsehood" or "business disparagement" that Neiman is indebted to its creditors for close to $5 billion. It is fact, not "falsehood" that using conventional methods of valuation, Neiman is not worth $5 billion. Dozens of articles emanating from Wall Street parties contemplate Neiman's possible demise.

13. Neiman itself points out as a substantial risk factor in its public disclosures that its substantial indebtedness could cause "our suppliers or other parties with which we maintain business relationships to experience uncertainty about our future and seek alternative relationships with third parties or seek to alter their business relationships with us." *Id.*, Ex. 16, p. 26.

14. As early as March 2017, Reuters reported that Neiman had hired advisors to restructure its indebtedness. *Id.*, Ex. 12. Neiman's financial condition has been the source of widespread concern by its creditors long before the making of the Statements. As Neiman itself admits in the Counterclaims, it has commenced negotiations with its creditors which it initiated only after the Transactions occurred. Ans. ¶ 57 (creditors "representing more than $2 billion of debt" have been engaged with Neiman in negotiations regarding a possible restructuring of its indebtedness). Neiman even admits that it is paying its creditors' advisors to participate in these

restructuring discussions. *Id*. Companies in healthy financial condition do not find themselves neck-deep in restructuring discussions with their creditors.

15. Because Neiman owes more than it is worth, under fraudulent transfer law, Neiman is insolvent. *See* Tex. Bus. & Com. Code Ann. § 24.003;[2] Petition ¶¶ 54-60; Aff. ¶ 18; Aff. Ex. 1. Because it is insolvent, by operation of law, Neiman cannot lawfully engage in certain transactions, such as distributing assets to its equity owners for no consideration, that it would be entitled to do if it were solvent. *See* Tex. Bus. & Com. Code Ann. § 24.006. This legal prohibition imposed by fraudulent transfer law applies to Neiman regardless of whether its credit agreements and indentures would otherwise permit it to transfer its assets to its shareholders. Furthermore, under fraudulent transfer law, even if the Company were not insolvent, it still would be prohibited from moving assets outside of the reach of its creditors for the actual purpose of hindering those creditors from collecting on Neiman's obligations. *See* Tex. Bus. & Com. Code Ann. § 24.005.

16. In March 2017, while insolvent, Neiman revealed that the Company had designated a wholly-owned subsidiary, Nancy Holdings LLC ("Nancy Holdings") as an unrestricted subsidiary and contributed to Nancy Holdings properties located in San Antonio, Texas, Longview, Texas and McLean, Virginia (the "Propco Transaction"). *See* Ans. ¶¶ 19, 28-29. At approximately the same time, Neiman disclosed that it had also designated several subsidiaries (the "myTheresa Entities") that held the myTheresa assets as Unrestricted Subsidiaries (the "Redesignation"). *See id.* Following these actions, speculation ensued as to whether these transactions complied with the Company's debt documents and the strategy and purpose behind them. On March 17, 2017, Reorg Research, a widely-followed financial publication issued a report

[2] The state fraudulent transfer statute applicable to the Neiman transfers has not yet been determined and the references to the Texas Uniform Fraudulent Transfer Act are accordingly, provisional. Other state versions of similar enactments may ultimately be found to apply based on a full conflict of laws analysis.

aptly titled, "Neiman's Designation of Unrestricted Subsidiaries *Raises Issues* Around Credit Support, Strategic Options; *Valuation May Determine Additional Capacity*." Aff., Ex. 4 (emphasis added). The report analyzed the Redesignation transactions, raising many of the same questions reflected in the Statements. The report states in pertinent part:

> The "original Fair Market Value" of MyTheresa for purposes of Investments capacity may have been the $181.7 million purchase price. However, such amount may arguably be required to be adjusted upward to account for the $54.3 million in value attributable to the earn-out, resulting in a total value of $236 million . . . . In total, using $236 million as the value for MyTheresa and $98 million for the properties, we assume that about $334 million of assets were transferred to Unrestricted Subsidiaries . . . . Without satisfying the 2x Interest Coverage Ratio, the company's capacity to make Investments in Unrestricted Subsidiaries under the 2021 Notes ***may have been limited to $250 million***. If, however, the company did satisfy the 2x Interest Coverage Ratio, its capacity for such Investments may have been $450 million (plus certain additional amounts based on Consolidated Net Income and proceeds from transactions) . . . . The company may therefore have transferred the assets to the Unrestricted Subsidiaries on March 10 before it filed its latest financial statements so as to remain under the 2x Interest Coverage Ratio, giving it access to the $200 million of additional Investments capacity under the 2021 Notes.

Id. (emphasis added).

17. As the Neiman Defendants note, other publications reported on these disclosures and engaged in analysis regarding the basis for the Neiman action and the relationship of these actions to strategic options being considered by the distressed retailer. Ans. ¶ 30.

18. Responding to these events, the Marble Ridge research team thoroughly analyzed the indenture covenants in an attempt to understand whether the Redesignation was permitted. Aff. ¶ 10-12. In performing this analysis, Marble Ridge was able to refer to the debt instruments themselves, the public filings made by Neiman with the Securities and Exchange Commission (the "SEC"), and other resources available to investment professionals, including analyst reports. *See id.* ¶¶ 7-11. Marble Ridge, however, was hampered in its efforts to complete a conclusive analysis by lack of access to Neiman's internal financial information and unresponsiveness of the Company

and its financial advisors. As is customary, Marble Ridge, starting in June 2018, reached out to the Company on multiple occasions to inquire about its compliance with its covenants among other topics. *Id.* ¶¶ 12-15. The Company refused to provide any additional information instead referring Marble Ridge to its external restructuring advisors at Lazard. *Id.* ¶ 13. On at least three occasions, Marble Ridge held discussions with Lazard to discuss the Company's compliance with its covenants, potential restructuring options and the Company's prospects. *Id.* While those discussions were constructive, the Company's representatives consistently refused to provide any additional information to support the conclusion that the Redesignation was permitted. *Id.*

19. However, based on their examination of the financial data that was publicly available and applying that data to the applicable provisions of the indentures restricting the de-designation of Restricted Subsidiaries, Marble Ridge arrived at the conclusion that it was at least questionable whether the Redesignation was accomplished in accordance with the restrictions imposed by Neiman's debt instruments. *Id.* ¶¶ 10-19. By way of example only, the Redesignation under the Indentures required that Neiman's "Interest Coverage Ratio," calculated in accordance with the Indentures, to be at least 2.00x. See Aff., Ex. 24. Absent satisfying this test, the Company would have been unable to make the Redesignation, and the Company admits as much. Although the Company claims that it met this test at the relevant time, the Company fails to provide its calculation of this Ratio under the Indenture even though it separately provides its calculation of a different measure, its Fixed Charge Coverage Ratio under the Term Loan. See Ans. ¶ 24. The calculations it used to satisfy its Interest Coverage Ratio have not been disclosed despite repeated requested by Marble Ridge and these calculations are simply not susceptible to being reproduced accurately and definitively by investors without additional information from the Company. See Aff. ¶¶ 11-13.

20. In addition, as noted by third party research providers, including Reorg Research and Covenant Review, the time at which the calculation was made as well as the method used to value the assets transferred is relevant. *Id.*, Exs. 4, 24. Marble Ridge believed these were legitimate concerns. *Id.* ¶¶ 18-19.

21. On September 18, 2018, shortly after Marble Ridge expressed its concerns to the Company's financial advisors, Neiman announced that it had distributed the myTheresa Entities to Neiman Marcus Inc. (the "Parent") for no consideration (the "myTheresa Transfer"). *Id.* ¶¶ 12-14, Ex. 18. Marble Ridge, who believes that the myTheresa assets held by the myTheresa Entities had a value of over $1 billion at that time, immediately wrote a letter to the Company (the "September 18 Letter") expressing its concern about the myTheresa Transfer and demanding answers to questions regarding compliance with the covenants of Neiman's debt instruments. *Id.* ¶¶ 14-18, Ex. 20.

22. The Propco Transaction and the myTheresa Transfer (collectively, the "Transactions") were widely covered and analyzed in the financial and retail industry press. *See* Ans. ¶ 51; Aff., Exs. 1, 3-15, 24-27, 29.

23. Without access to the complex calculations and the basis for the Transactions, Marble Ridge was left to rely on the available information to assess whether the Transactions, in fact, violated the covenants of Neiman's debt instruments. Neiman's *assertions* that it acted in compliance with its debt instruments are not verifiable absent information that Neiman has chosen not to disclose. Recently, *Covenant Review*, a highly regarded publication among financial industry professionals that has followed Neiman, confirmed this. Its report, published on December 17, 2018 states:

> [T]hus far [Neiman] has not provided the full picture to investors seeking to understand how [Neiman] was able to move the MyTheresa Business and the three real properties to

> Unrestricted Subsidiaries. On September 24, 2018, we published a report analyzing the issues raised by MRC in its September 18, 2018 letter to the Company. In its letter, MRC raised many of the same questions that were discussed above [in the Report].

Id., Ex. 24.

24. Concerned about the Transactions, but without full information regarding whether they were completed in accordance with covenants in the debt instruments, Marble Ridge chose to address its concerns to the Company. Marble Ridge carefully couched its concerns about covenant compliance with reference to this lack of data. The September 18 Letter states that Marble Ridge's views were "*based on [Plaintiffs'] review of all relevant public information.*" *Id.*, Ex. 20 (emphasis added). On this same qualified basis, Marble Ridge communicated its view that the Transfer "appear[ed]" to have violated Neiman's debt instruments and could, moreover, constitute fraudulent transfers under applicable law. *Id.* Underscoring the tentative nature of Marble Ridge's views regarding Neiman's compliance with its debt instruments, the September 18 Letter included several highly specific requests for information regarding the purpose of the myTheresa Transfer and the calculations under the Company's financial covenants that supposedly allowed the Transfer to occur. *See id.*

25. Questions in the September 18 Letter include the following:

- What was the corporate purpose of the Transactions?
- What was the determined cost basis for the Redesignated Entities at the time that the Company designated them as Unrestricted Subsidiaries?
- The Indentures' limitations on Restricted Payments and Restricted Investments appear to prohibit the Company from designating a Subsidiary as an Unrestricted Subsidiary in most instances. Pursuant to which subpart of the definition of "Permitted Investments" or the Restricted Payment covenant did the Company designate the MyTheresa entities as Unrestricted Subsidiaries?
- How did the Company calculate its Interest Coverage Ratio and Adjusted EBITDA at the time that the Redesignated Entities were designated as Unrestricted Subsidiaries?

> Please provide back-up for these calculations (including identifying relevant add-backs).

Id.

26. The September 18 Letter concluded with the following:

> ***Given the potential that the [Transfer] may lead to litigation***, we hereby request that the Company and its current and past board members, Ares, and CPPIB retain all documents and communications relating to the Transaction, whether held electronically or in hard copy, notwithstanding any document retention policies to the contrary.

Id. (emphasis added).

27. Following this demand to preserve evidence, which unambiguously and explicitly put the Neiman Defendants on notice that potential litigation might ensue, the September 18 Letter requested that any response be made to counsel for Marble Ridge, the law firm Brown Rudnick LLP. *See id.* A copy of the letter was also sent to Kirkland & Ellis, counsel to Neiman, further underscoring that legal action might ensure.[3] In other words, the fact that the September 18 Letter pertained to a potential future lawsuit related to the Transactions could not have been made plainer. All but one of the Statements alleged by the Neiman Defendants to be defamatory are drawn from the September 18 Letter. *See* Ans. ¶ 62.

28. On September 21, 2018, Marble Ridge issued a press release (the "Press Release") disclosing that it sent the September 18 Letter to Neiman and providing additional commentary on the statements therein. Aff., Ex. 21.

29. Neiman responded to the September 18 Letter with its own letter, dated September 21, 2018 (the "Neiman Letter") in which it made wholly conclusory and unsupported assertions that it had acted in compliance with its debt documents, such as its statement that "the Company had ample basket capacity" and had complied with the law "in all respects." *Id.*, Ex. 22. Rather

[3] Kirkland & Ellis, indeed, has appeared in the lawsuit as counsel for the Neiman Defendants.

than actually revealing the data and calculations it had used to purportedly justify its actions, the Neiman Letter cited certain press articles suggesting that such articles somehow substantiated is assertions. *See id.* Yet, the articles cited by Neiman hardly support Neiman's conclusion that it had definitely complied with its debt documents. The Neiman Letter concluded with a threat to hold Marble Ridge liable "for any damage it causes to the Company." *Id.*

30. For good reason, Marble Ridge found the conclusory and self-serving responses provided in the Neiman Letter to be insufficient to allay its serious concerns and it, accordingly, communicated its dissatisfaction in its letter dated September 25, 2018 (the "September 25 Letter"). *Id.*, Ex. 23. As noted in the September 25 Letter:

> ***In fact, many of the reports referenced by the Company raise the same factual and legal issues as raised by our letter***. For example, Reorg Research comments that "Under the Indentures, as previously discussed by Reorg Covenants in March 2017, whether the Designation was permitted may depend on several factors: the company's Interest Coverage Ratio, specifically the add-backs allowed to Adjusted EBITDA, as well as the value of the MyTheresa entities at the time of the Designation." *Marble Ridge's Concerns That Neiman's MyTheresa Designation Violated 2021 Notes May Depend on EBITDA Add-Back*, dated September 21, 2018. Covenant Review similarly says that "key question will likely be whether adequate capacity was used to accomplish the [redesignation]." *Neiman Marcus: Initial Impressions on the Marble Ridge Capital Letter* dated September 24, 2018. Xtract Research notes that taking a "substance over form" position would "collapse the transactions into a single related transaction . . . in which case the investment baskets would not be available". Xtract goes so far as to warn the Company to "save those emails, Neiman!" *Neiman Marcus and the Two-Step Dividend* dated September 21, 2018.

Id. (emphasis added).

31. The September 25 Letter also took aim at the apparent strategy underlying the Transfers: namely, to strip the transferred assets from Neiman in order that such assets would be available to serve the financial interests of the LBO Sponsors. Marble Ridge accordingly urged the Board of Directors of Neiman to engage independent legal and financial advisors "to advise [Neiman] of their independent duties of care and loyalty." *Id.*

32. As acknowledged by Neiman, Marble Ridge was not alone in its concerns about the strategic direction of Neiman (as reflected by the Redesignation and the Transfer), which created serious concerns among many of Neiman's debt holders. *See* Ans. ¶ 49. In fact, Neiman's creditors (at Neiman's request) have commenced discussions to restructure Neiman's debt. *See id.* ¶ 57.

33. On December 10, 2018, Marble Ridge commenced this Action by the filing of the Petition in which it asserts that the Transfers were both constructively and intentionally fraudulent as to creditors of Neiman. The Petition also includes a request for appointment of a receiver.

34. Notwithstanding its current pretextual position that the September 18 Letter contained defamatory Statements and constituted disparagement of Neiman's business, the Neiman Defendants did not initiate litigation with Marble Ridge until after December 10, 2018 when Marble Ridge commenced this litigation.

35. In response to the Action, Neiman filed an answer (the "Answer") that echoes the strategy of its Counterclaims to almost entirely devote its defense to that of its covenant compliance rather than to the fraudulent nature of the transfer. It is telling what the Answer does not say:

- That Parent's Board of Directors or Holdings, as sole member of the Company, had engaged any independent financial or legal advisors on behalf of the Company to advise them of their fiduciary duties to the Company at the time of the transfer;

- That "management" did not stand on both sides of the transactions when they delivered their self-serving analysis supporting the transactions;

- That the Company had any independent governing body or counsel to act on behalf of the Company's interests;

- That the Company had independently verified that the Company was solvent at the time of the transfer; or

- That the Company had received a Fairness Opinion, which is customary for transfers of this magnitude by distressed companies, to support the fairness of the transfer.

36. Not content to merely deny the allegations of the Petition or to contest Marble Ridge's standing to bring the Action, Neiman asserted the Counterclaims against Marble Ridge for defamation and business disparagement.

37. Neiman Marcus' Counterclaims for defamation and business disparagement are based upon the following Statements:

- "Therefore, based on our review of all the relevant public information, the Transactions ***appear to have*** violated the Indentures and, accordingly, the Company ***may*** now be in default thereunder." [September 18 Letter].
- The Transactions "***may*** trigger defaults under the Indentures." [September 18 Letter].
- Marble Ridge has "***concerns*** that the Transactions do not comply with the Indentures." [September 18 Letter].
- Marble Ridge's knowledge about the Transactions "led us ***to believe*** that the Company ***may*** be in default under its Indentures." [September 18 Letter].
- There was a "theft of assets by" Neiman Marcus' private LBO Sponsors. [Press Release].

Ans. ¶¶ 61-71 (emphasis added).

38. Pursuant to Count One, asserting a claim for defamation, Neiman asserts that the Statements were "false and defamatory," that Marble Ridge acted with "actual malice or negligence," that Neiman's "businesses and reputation have been damaged, including through the recent credit ratings downgrades." *Id.* ¶¶ 61-66. Pursuant to Count Two, asserting a claim of business disparagement, Neiman asserts that Marble Ridge's Statements were made "with malice and without privilege." *Id.* ¶¶ 67-71. It also asserts that the Statements have caused "special damages." *Id.* ¶ 71.

ARGUMENT

I. The Counterclaims Are Subject to Dismissal Under the TCPA

The TCPA was enacted to "to encourage and safeguard the constitutional rights of persons to petition, speak freely, associate freely, and otherwise participate in government to the maximum extent permitted by law." *NCDR, L.L.C. v. Mauze & Bagby, P.L.L.C*, 745 F.3d 742, 746 (5th Cir. 2014) (quoting Tex. Civ. Prac. & Rem. Code Ann. § 27.002 (West 2013)). The TCPA provides a two-step process to protect the exercise of protected rights. *See ExxonMobil Pipeline Co. v. Coleman*, 512 S.W.3d 895, 898-99 (Tex. 2017); *In re Lipsky*, 460 S.W.3d 579, 586 (Tex. 2015). Under the first step, a defendant invokes the TCPA by timely moving to dismiss a claim upon an initial showing, supported by a preponderance of the evidence, that the plaintiff's claim "is based on, relates to, or is in response to the [movant's] exercise of: (1) the right of free speech; (2) the right to petition; or (3) the right of association." Tex. Civ. Prac. & Rem. Code Ann. § 27.005(b).

If the defendant successfully makes a showing under the first step, then the burden shifts to the plaintiff to "establish[ ] by *clear and specific evidence a prima facie case* for each essential element of the claim in question." *Id.* § 27.005(c) (emphasis added); *MVS Int'l Corp. v. Int'l Advert. Sols., LLC*, 545 S.W.3d 180, 189 (Tex. App.—El Paso 2017, no pet.).

Under the TCPA, "the right of free speech" includes any "communication made in connection with a matter of public concern." Tex. Civ. Prac. & Rem. Code Ann. § 27.001(3). As further explained below, the TCPA applies to the Counterclaims because (i) the Counterclaims are based on, relate to and are in response to communications made by Marble Ridge; and (ii) such communications include issues related to "matters of public concern" as defined by the TCPA.

A. <u>Marble Ridge is Being Sued For Exercise of Its Rights of Free Speech</u>

Among the issues that may be a "[m]atter of public concern" under the TCPA are those related to "*economic*, or community well-being" (emphasis added) or "a good, product, or service in the marketplace." *Id*. § 27.001(7). In considering whether Marble Ridge's communications relate to a matter of public concern, the TCPA is to be "construed liberally to effectuate its purpose and intent fully." *Id*. § 27.011(b).

Both Counterclaims are based on or relate to communications made by Marble Ridge in connection with its concerns about the financial condition of Neiman. *See* Ans. ¶¶ 61-71. Neiman is a major corporation and major participant in the Texas and U.S. economy. *See* Aff., Ex. 16. Neiman had approximately 13,500 employees as of July 28, 2018. *Id.*, p. 11. The financial condition of Neiman has broad implications for the economic well-being of all stakeholders of the Company. Public stakeholders potentially impacted by the financial condition of Neiman include, without limitation, financial institutions holding billions of dollars of Neiman debt, thousands of employees of Neiman and innumerable vendors, service providers, suppliers, corporate partners and customers of Neiman (including holders of Neiman gift cards), among other persons potentially impacted by the financial condition of Neiman. Indeed, the Counterclaims allude to the broad membership of persons impacted by Neiman and its continued viability.

Although Neiman extracts, out of context, particular Statements from the September 18 Letter as supposedly false and defamatory, review of this correspondence in context shows the breadth of the economic and other issues of public concern addressed by Marble Ridge's communications. These include:

- The possibility that the Transactions involve unlawful fraudulent transfers of assets. Aff., Ex. 20 ("Based on the facts known to us, it appears that the Transactions may be susceptible to avoidance as intentional and constructive fraudulent transfers").

- Flaws in its corporate governance that enabled Neiman to pursue the Transactions contrary to the interests of Neiman and its public stakeholders. *Id.* ("[The Transaction] raises serious questions of breaches of duties of care and loyalty, with exposure for Ares and CPPIB, as controlling shareholders, and for the Company's board.").

- The financial viability of Neiman in view of its apparent reckless strategy to protect and enrich the LBO Sponsors rather than to pursue a financial restructuring that would benefit all stakeholders, including thousands of employees whose livelihood depends on Neiman. *Id.* Ex. 21 ("Rather than looking to line the pockets of Ares and CPPIB at the expense of the Company's creditors, employees and other stakeholders, we urge the Board to take a more prudent approach.").

- The potential default by Neiman of its contractual obligations to creditors. *Id.*, Ex. 23 ("[T]o the extent the Sponsors do not return MyTheresa back to the Company or provide adequate consideration in payment therefore, we have reason to believe the Company will be unable to pay its debts as they come due.").

- The need for the Company to consider strategic alternatives to reduce its indebtedness and improve its financial condition. *Id.* (pointing out that the proceeds of a sale by Neiman of the myTheresa assets and the real property transferred in the Propco Transaction could be used to "to substantially reduce the Company's indebtedness and put the Company on more solid financial footing").

The enormous size of Neiman's financial obligations demonstrates that Marble Ridge's communications directed to Neiman's ability to pay those obligations when due were made "in connection with a matter of public concern," namely the current and future financial viability of Neiman. *See* Tex. Civ. Prac. & Rem. Code Ann. § 27.001(3). The close to $5 billion of Neiman obligations outstanding are widely held by financial institutions. *See* Aff., Ex. 29. The subject matter of Marble Ridge's communications extends to public concerns beyond those of purely financial stakeholders, such as bondholders and those that hold Neiman bank debt. Indeed, Neiman identifies, in the Counterclaims, matters of public concern implicated by the issues raised by Marble Ridge's communications. Ans. ¶ 12 (asserting that Neiman employs 6,000 full-time employees in Texas alone), ¶ 60 (asserting that "negative publicity" supposedly attributable to Marble Ridge "harmed Neiman Marcus' relationships with its customers and business partners").

In sum, Marble Ridge's communications pertain to matters of public concern in that they relate to the financial condition and corporate governance of a major corporation whose reckless and lawless behavior could disrupt the credit markets, adversely affect innumerable individuals and businesses that engage in business with Neiman, and even, potentially, result in the bankruptcy of a major corporation that employs thousands of workers throughout the United States. Accordingly, Marble Ridge's communications satisfy the requirement of the TCPA that Marble Ridge's communications are "in connection with a matter of public concern." *Kinney v. BCG Attorney Search, Inc.*, No. 03-12-00579-CV, 2014 WL 1432012, at *5 (Tex. App.—Austin Apr. 11, 2014, pet. denied) (mem. op.) (communication was in connection with a matter of public concern where they related to services provided to the public); *Avila v. Larrea*, 394 S.W.3d 646, 655 (Tex. App.—Dallas 2012, pet. denied) (statements regarding the quality of a particular attorney's services were made in connection with a matter of public concern).

II. The Counterclaims Must Be Dismissed Because The Neiman Defendants Cannot Provide Clear and Specific Proof of Liability and Marble Ridge Has Established Valid Defenses.

Because the TCPA applies, analysis proceeds to the next step, which involves a determination of whether, under the burden shifting regime established by the TCPA, dismissal of the Counterclaims is warranted. The burden must first be carried by the Neiman Defendants, who must, through "clear and specific evidence" make out a *prima facie* case for each essential element of the Counterclaims. *See* Tex. Civ. Prac. & Rem. Code Ann. § 27.005(c). The words "clear and specific," in this context, have been interpreted, respectively, to mean "unambiguous," "sure," or "free from doubt," for the former, and "explicit" or "relating to a particular named thing," for the latter. *In re Lipsky*, 460 S.W.3d 579, 590 (Tex. 2015).

Under Texas law, to maintain a claim for defamation, the plaintiff must prove that the defendant: (1) published a statement; (2) that was defamatory concerning the plaintiff; (3) while acting with either actual malice, if the plaintiff was a public official or public figure, or negligence, if the plaintiff was a private individual, regarding the truth of the statement. *WFAA-TV, Inc. v. McLemore*, 978 S.W.2d 568, 571 (Tex. 1998). In some cases, such as this one, the plaintiff must also prove damages. *See In re Lipsky*, 460 S.W.3d at 593 (citing *WFAA-TV, Inc*., 978 S.W.2d at 571) (damages must be proven where the alleged defamation is *per quod*). Because, for purposes of a defamation claim, Neiman is a "public figure," to avoid dismissal of its Counterclaim for defamation (Count One), Neiman must provide "clear and specific" evidence that Marble Ridge, acting with actual malice, published a false statement of fact that proximately caused actual damage to Neiman. Indeed, while the Neiman Defendants formulaically recite these elements in Count One of the Counterclaims, that cannot satisfy their TCPA burden. *See* Ans. ¶¶ 61-66.

To avoid dismissal of their Counterclaim for business disparagement (Count Two), the Neiman Defendants must establish by "clear and specific evidence" that Marble Ridge published false and disparaging information about them, with malice, without privilege, that resulted in special damages to the plaintiff. *Huckabee v. Time Warner Entm't Co. L.P.*, 19 S.W.3d 413, 420 (Tex. 2000). These elements are likewise pleaded, albeit in an entirely conclusory fashion, by the Neiman Defendants. *See* Ans. ¶¶ 67-71. As discussed below, the Neiman Defendants cannot meet their burden under the TCPA.

If, for the sake of argument, the Neiman Defendants were able to meet their burden under the TCPA, then the burden would shift back to Marble Ridge to establish "by a preponderance of the evidence each essential element of a valid defense" to the Counterclaims. *See* Tex. Civ. Prac.

& Rem. Code Ann. § 27.005(d). As explained below, Marble Ridge would easily satisfy this requirement and, accordingly, must prevail on this motion.

A. **Even if Neiman Could Establish A *Prima Facie* Case for Each Counterclaim, the Counterclaims are Barred by the Judicial Proceeding Privilege**

As a threshold matter, in order to rule in favor of Marble Ridge, the Court may skip any analysis of Neiman's *prima facie* case as it relates to each element of the Counterclaims. This is so because, even if such a *prima facie* case could be made out (which it cannot be), Marble Ridge is entitled to relief under the TCPA because it can establish that the Counterclaims are barred by the judicial proceeding privilege. Tex. Civ. Prac. & Rem. Code Ann. § 27.005(d) ("[T]he court shall dismiss a legal action against the moving party if the moving party establishes by a preponderance of the evidence each essential element of a valid defense to the nonmovant's claim.").

Pursuant to the judicial proceeding privilege, speech attendant to litigation generally cannot give rise to civil liability. *See James v. Brown*, 637 S.W.2d 914, 916 (Tex. 1982). The law is well-established that the judicial proceeding privilege is not limited to statements made during litigation, but extends "also to statements made in contemplation of and preliminary to judicial proceedings." *Daystar Residential, Inc. v. Collmer*, 176 S.W.3d 24, 27-28 (Tex. App.—Houston [1st Dist.] 2004, pet. denied) (holding that statements made prior to the initiation of a judicial proceeding were protected by the judicial proceeding privilege).

Importantly for purposes of this case, judicial proceeding privilege is not limited to statements made by an attorney with respect to a pending or anticipated litigation; it applies to statements made by counsel, parties, and witnesses, among others. *James*, 637 S.W.2d at 916-17 (holding that statements made by a party's witness in a mental health proceeding were absolutely privileged and did not give rise to an action for defamation); *Landry's, Inc. v. Animal Legal*

Defense Fund, No. 14-17-00207-CV, 2018 WL 5075116, at *8-9 (Tex. App.—Houston [14th Dist.] Oct. 18, 2018, no pet.) ("[B]ecause the judicial-proceedings privilege applies to parties as well as counsel, it makes no difference whether, at the time the statements were made, [the declarant] planned to participate in the suit as Conley's counsel or as her co-plaintiff.").

To invoke judicial proceeding privilege, the declarant need only show that her statements "bear some relationship to," and were made to further, "pending or proposed litigation." *Daystar*, 176 S.W.3d at 27-28; *Landry's*, 2018 WL 5075116, at *9. Whether a declarant meets this standard is a question of law and, in deciding the issue, "the court must consider the entire communication in its context," and "[a]ll doubt should be resolved in favor of" applying the privilege. *Daystar*, 176 S.W.3d at 27-28 (citing *Russell v. Clark*, 620 S.W.2d 865, 870 (Tex. Civ. App.—Dallas 1981, writ ref'd n.r.e.)).

Under the foregoing described standard, the Statements are all subject to the judicial proceeding privilege. Five out of the six Statements identified in the Counterclaims are taken from the September 18 Letter, *see* Ans. ¶ 62, the intent of which, on its face, included putting the Neiman Defendants on notice of potential litigation, *see* Aff., Ex. 20. One Statement is taken out of context from the Press Release. *See* Ans. ¶ 62. All Statements easily satisfy the requirement of bearing "some relation" to a proposed judicial proceeding. *See Landry*, 2018 WL 5075116, at *9. This is true because for among other reasons, the September 18 Letter: (i) contains factual allegations that subsequently formed the basis of Plaintiffs' Petition; (ii) serves to apprise Neiman of Plaintiffs' concerns regarding the Transactions; (iii) seeks additional information from Neiman so that Marble Ridge could continue to evaluate whether the Transactions gave rise to rights and remedies the pursuit of which were contemplated by Marble Ridge; and (iv) specifically requests that the Company "retain all documents and communications relating to the Transaction," and (v)

explicitly puts the Company on notice of potential litigation. *See Crain v. Smith*, 22 S.W.3d 58, 63 (Tex. App.—Corpus Christi 2000, no pet.) (holding that statements in a demand letter that "were factual allegations and legal conclusions that formed the basis of [the declarant's] proposed legal action . . . were absolutely privileged, and cannot constitute the basis for litigation"); *Thomas v. Bracey*, 940 S.W.2d 340, 344 (Tex. App.—San Antonio 1997, no writ) (applying judicial proceedings privilege to letter "written both in connection with and preliminary to a judicial proceeding"); *Russell*, 620 S.W.2d at 870 (holding that the judicial proceedings privilege applied to a demand letter that "bears a relationship to the litigation about which it was written" and "appears to be designed to obtain information that may be used as evidence" in the litigation). The privilege likewise covers the Press Release which is simply an extension of the communications concerning the same issues covered in the September 18 Letter.

If a statement is made before judicial proceedings are instituted, as in the case of the September 18 Letter and Press Release, application of judicial proceeding privilege also requires evidence that suit "was seriously contemplated at the time the statements were made." *Landry's*, 2018 WL 5075116, at *10. Here, there can be no doubt that this requirement is also met. The September 18 Letter itself reflects that Marble Ridge had already engaged litigation counsel and, in contemplation of litigation includes a notice that Neiman preserve documents, given the potential of impending litigation, for purposes of discovery in that litigation. *See* Aff. ¶¶ 15-19, Ex. 20. That the September 18 Letter was shared and commented on by Marble Ridge in the Press Release is irrelevant to the application of judicial proceeding privilege. Under Texas law, the judicial proceeding privilege applies with equal force to public statements in connection with and preliminary to a judicial proceeding. *See Daystar*, 176 S.W.3d at 28 (holding that an attorney's statements to the media about his plans to sue and his allegations against a defendant, made prior

to the actual filing of the suit, were protected by the judicial proceeding privilege); *see also Landry's*, 2018 WL 5075116, at *10 (holding that the judicial proceeding privilege applied to a press release publicizing the lawsuit); *Dallas Indep. Sch. Dist. v. Finlan*, 27 S.W.3d 220, 239 (Tex. App.—Dallas 2000, pet. denied) (applying judicial proceeding privilege to a press release that described lawsuit allegations). Nor does the fact that the Statements were not made by an attorney affect the applicability of the judicial proceedings privilege. The privilege applies to attorneys, parties, and witnesses to a judicial proceeding alike. *See Landry's*, 2018 WL 5075116, at *8-9 (holding that statements relating to a contemplated judicial proceeding were protected by the judicial proceeding privilege, regardless of whether the declarant planned to participate in the contemplated lawsuit as counsel or a co-plaintiff).

B. Marble Ridge Has Valid Defenses and Neiman Has No "Clear and Specific" Evidence to Support the Counterclaims

Even if, *arguendo,* the Counterclaims are not barred by the judicial proceeding privilege, they must be dismissed because Marble Ridge is able to establish valid defenses to both Counterclaims and the Neiman Defendants cannot present the required "clear and specific" proof to support each element of the Counterclaims.

1. *The Statements are Non-Actionable Opinions*

The Neiman Defendants defamation claims fail at the very outset of analysis because the targeted Statements are simply not defamatory. *See WFAA-TV, Inc.*, 978 S.W.2d at 571 (identifying as an element of the tort the publication of a *defamatory* statement). To be defamatory, a statement must consist of a false statement of fact and cannot be a mere subjective assertion or opinion. *Vecchio v. Jones*, No. 01-12-00442-CV, 2013 WL 3467195, at *7 (Tex. App.—Houston [1st Dist.] July 9, 2013, no pet.) (mem. op.). In distinguishing between non-actionable opinion and actionable statements of fact, courts focus on "a statement's verifiability and the entire context

in which it is made." *Bentley v. Bunton*, 94 S.W.3d 561, 581 (Tex. 2002). Under Texas law, verifiability means that the statement it "must be sufficiently factual to be susceptible of being proved objectively true or false." *Thomas-Smith v. Mackin*, 238 S.W.3d 503, 507 (Tex. App.—Houston [14th Dist.] 2007, no pet.).

Here, on their face and taken in context, it is plainly evident that the Statements are assertions of opinion. Some Statements assert that Neiman's conduct "appear[s] to" or "may" have violated and triggered defaults under the indentures. *See* Ans. ¶ 62. Other Statements express "concern" that the Transactions are non-compliant with Neiman debt instruments. *See id.* These statements are not objectively verifiable and thus, cannot be defamatory. *Hellmuth* is instructive. *See Hellmuth, Obata & Kassabaum, L.P. v. Efficiency Energy, L.L.C.*, Civ. A. H-14-2945, 2016 WL 642352, at *3 (S.D. Tex. Feb. 18, 2016) In *Hellmuth*, defendants asserted counterclaims for defamation and business disparagement based on plaintiff's statements that defendants' rebate requests "most likely" constituted an illegal kickback in violation of state and federal law. *See id.* In *Hellmuth*, the counterclaiming defendants argued, much as the Neiman Defendants do in this case, that the plaintiff's statements could be objectively verified as false in reliance on positions taken by various authorities and entities, including governmental organizations, which appeared to be in disagreement with plaintiff's position. *See id.* The court, however, applying Texas law, rejected such arguments, finding that the counterclaiming defendant had shown only that a "majority of entities" shared the views of the defendant. Given that the statements were essentially matters of opinion involving issues of law, the court found that in the absence a "binding legal decision" regarding the issue, no basis existed to establish that the plaintiff's position was objectively false. *Id.* Accordingly, the "correctness" of plaintiffs' opinion on the legal issue of

the legality of defendant's conduct was "not an appropriate basis for a defamation or business disparagement action." *Id.*

Furthermore, in granting summary judgment dismissing counterclaiming defendants' defamation action, the *Hellmuth* court focused on the fact that plaintiffs' statements were couched; plaintiff stated that that the rebate requests "most likely" constituted illegal kickbacks. *See id.* Plaintiff's statements, in context, thus reflected a "tentative legal opinion, as opposed to a verifiable factual assertion that Defendants . . . engaged in illegal conduct." *Id.*

The reasoning in *Hellmuth* applies fully here. As in *Hellmuth*, the Neiman Defendants do not dispute the underlying factual issues, namely that they engaged in the Transactions. *See* Ans. ¶ 29 (admitting to the Redesignation); ¶ 38 (admitting to the Transfer). The sole purported "falsehood" targeted by the Neiman Defendants' defamation claim is Marble Ridge's assertions that the Transactions "may" violate or trigger defaults under Neiman's debt and that Marble Ridge is "concern[ed]" about such violations. *See id.* ¶ 62. The assertion of potential breaches of contractual obligations hardly constitutes anything more than a creditor's legitimate expression of concern. In any case, like the plaintiff's statements in *Hellmuth*, the individual Statements are not objectively verifiable and hence, are not sufficiently factual to be determined as false. They are merely opinions as to a complex legal issue as to which a range of differences of opinion exist and as to which there has been, as yet, no determination by a court.

The non-verifiable nature of the Statements is even more apparent when the Statements are considered in the context of the entire correspondence. *See* Aff., Exs. 20, 22-23. In the September 18 Letter, Marble Ridge, explicitly states, and indeed, complains of the fact, that due to Neiman's non-disclosures, its views are of necessity based on incomplete information. *Id.*, Ex. 20. Marble Ridge, accordingly, expresses itself conditionally; it is "*concern[ed*]" that the Transactions are

non-compliant with Neiman's debt instruments even though it "*appears*" to Marble Ridge that the indentures have been violated. *Id*. *All* other Statements from the September 18 Letter are similarly couched and tentative. *See id.* Statements framed tentatively, expressly what "appears" to be, what "may" be the case and statements by a declarant about its "concerns" are not actionable falsehoods under Texas law. *See Hellmuth*, 2016 WL 642352 at *3-4; *see also Veilleux v. Nat'l Broad. Co.*, 206 F.3d 92, 116 (1st Cir. 2000) (holding that Dateline's statement that a trucker was "putting people at risk by driving long hours" expressed Dateline's "protected opinion that [the] behavior was risky"); *Hadlock v. Tex. Christian Univ.*, No. 2-07-290-CV, 2009 WL 485669, at *4 (Tex. App.—Fort Worth Feb. 26, 2009, pet. denied) (mem. op.) (assertions an individual's behavior violated certain employment policies were not actionable as defamation); *Falk & Mayfield L.L.P. v. Molzan*, 974 S.W.2d 821, 824 (Tex. App.—Houston [14th Dist.] 1998, pet. denied) (finding that accusations of "lawsuit abuse" does not "convey a verifiable fact, but is, by its nature, somewhat indefinite and ambiguous" and is, thus, "an expression of opinion which is absolutely protected by the First Amendment"). This basic and fundamental principle protects the exact type of statements made by Marble Ridge here. A *fortiori*, such tentative statements of belief cannot be actionable when they are accompanied by explicit acknowledgment that the beliefs expressed are based on incomplete information.

The Neiman Defendants are also unable to make a *prima facie* showing that the Statement, attributed to Marble Ridge, that "private equity sponsors" engaged in a "theft of assets" is actionable as defamatory. *See* Aff., Ex. 21. Rhetorical hyperbole is non-actionable opinion and so, defamation claims based on statements that would be perceived by the audience as "rhetorical hyperbole" are routinely dismissed. *See, e.g.*, *Rehak Creative Servs., Inc. v. Witt*, 404 S.W.3d 716, 729-30 (Tex. App.—Houston [14th Dist.] 2013, pet. denied) (finding that "bilking" and "ripping

off" are just "rhetorical hyperbole," rather than defamatory statements of fact). "'Rhetorical hyperbole' is 'extravagant exaggeration' 'employed for rhetorical effect,'" and is, thus, not actionable as a matter of law. *American Broad. Cos. v. Gill*, 6 S.W.3d 19, 30 (Tex.App.—San Antonio 1999, pet. denied). Whether a statement is rhetorical hyperbole, opinion, or an actionable assertion of fact is a question of law for the court. *See id.* Here, the "theft of assets" is obviously, in context, a reference to the Transfer as a fraudulent transfer and not to a criminal act of any kind. The use of the word "theft," in the context of the Press Release, would thus be readily understood by a person of ordinary intelligence to be an expression of the opinion that the Board acted improperly and in disregard of fraudulent transfer law in approving the Transaction. As such, it is non-actionable opinion. *See Church of Scientology of Cal. v. Cazares*, 638 F.2d 1272, 1288-89 (5th Cir. 1981) (reference to the church as a "rip-off, money motivated operation" was not an actionable, defamatory statement of fact); *Rehak*, 404 S.W.3d at 729-30 ("ripping off" is rhetorical hyperbole as opposed to an actionable, defamatory statement); *American Broad.*, 6 S.W.3d at 30 (holding that the statement that declarant "got screwed" "again" "as a taxpayer" was not actionable as a matter of law); *Falk & Mayfield*, 974 S.W.2d at 824 (accusation of "lawsuit abuse" is a subjective, non-actionable statement). Further, the statement refers to the LBO Sponsors, not any of the Neiman Defendants, and therefore is not "concerning" any of the named defendants, yet another complete ground for dismissal.[4]

2. *Neiman Offers No Clear and Specific Evidence of Actual Malice*

Yet another deficiency of the Counterclaims compels their dismissal. To maintain its Counterclaims for both defamation and business disparagement, Neiman must supply clear and

[4] To the extent the statement addresses the failure of oversight by Neiman's Board, that is non-actionable opinion as well.

convincing evidence that Marble Ridge published the Statements with actual malice. Actual malice must be shown because Neiman is a public figure.[5] "Actual malice" requires that, before publishing the Statement, Marble Ridge knew it was false or subjectively entertained serious doubts about its accuracy. *Forbes, Inc. v. Granada Biosciences, Inc.*, 124 S.W.3d 167, 171 (Tex. 2003).

In its effort to carry this heavy burden, Neiman alleges only that "[o]n information and belief, Marble Ridge knew its accusations regarding default were false . . . [and] Marble Ridge did not assess whether there was a good faith basis for any of the reckless accusations it made."

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[5] Under Texas law, Neiman is both a general and limited purpose public figure. A general purpose public figure is an individual or company who has "achieved such pervasive fame or notoriety that they become public figures for all purposes and in all contexts." *WFAA-TV, Inc. v. McLemore*, 978 S.W.2d 568, 571 (Tex. 1998); *see also Snead v. Redland Aggregates Ltd.*, 998 F.2d 1325, 1329 (5th Cir. 1993). Neiman, which brands itself as "one of the leading luxury fashion retailers in the world," with locations across the world and "approximately 6,600 full-time employees based in Texas" has achieved such pervasive fame and notoriety that it is a general purpose public figure. Ans. ¶ 12; *see also Am. Family Mut. Ins. Co. v. Edgar*, No. 92-CV-779, 1995 WL 370221, at *2 n.3 (Cir. Ct. Wis. Jan. 25, 1995) (finding insurance company to be a general purpose public figure because its "name is admittedly widely known to" to many residents of the state and it "achieved such notoriety through widespread sale of 'full coverage automobile, sickness and accident, homeowners, farm owners, mobile home owners, inland marine, burglary, commercial multi-peril, personal and commercial umbrella, boat owners and fire and allied lines.'" (citing *Snead.*, 998 F.2d at 1329)).

In addition, Neiman qualifies as a limited purpose public figure under the three-factor test followed by Texas courts. *See McLemore*, 978 S.W.2d at 571. To determine whether a defamation plaintiff is a limited purpose public figure, Texas courts look to the following factors:

> (1) the controversy at issue must be public both in the sense that people are discussing it and people other than the immediate participants in the controversy are likely to feel the impact of its resolution;
> (2) the plaintiff must have more than a trivial or tangential role in the controversy; and
> (3) the alleged defamation must be germane to the plaintiff's participation in the controversy.

Id. (quoting *Trotter v. Jack Anderson Enters., Inc.*, 818 F.2d 431, 433 (5th Cir. 1987)); *see also New Times, Inc. v. Wamstad*, 106 S.W.3d 916, 921-25 (Tex. App.—Dallas 2003, pet. denied). As applied to Neiman, each factor supports a finding that Neiman is a limited purpose public figure. With respect to the first factor, Neiman and, in particular, its creditworthiness and financial condition, has been the subject of frequent and intense scrutiny in the media and financial markets, *see, e.g.*, Aff., Exs. 1, 3-15, 24-27, 29, and Neiman admits to "maintaining a social media presence for Neiman Marcus, Bergdorf Goodman and MyTheresa on blogs, Twitter, Instagram, Pinterest, Facebook and Snapchat," *see* Aff., Ex. 16, p. 4. Turning to the second factor, Neiman's Transactions are the central issue in this controversy, making Neiman's involvement in the matter far greater than merely tangential or trivial. *See New Times*, 106 S.W.3d 921-22. Further, Neiman had broad access to media, including the general press and its social media, and it voluntarily made the Transactions, which "necessarily involved the risk of increased exposure and injury to reputation." *Id.* (quoting *McLemore*, 978 S.W.2d at 573). Finally, the Statements are plainly germane to the controversy created by the Transactions; Marble Ridge made the Statements as a direct comment on the Transactions. Accordingly, Neiman is both a general and limited purpose public figure under Texas defamation law.

Ans. ¶ 59. This conclusory allegation is insufficient to meet Neiman's burden. *See Lipsky*, 460 S.W.3d at 592-93 (holding that a conclusory statement in an affidavit is insufficient to satisfy the TCPA's requirement of "clear and specific evidence").

Moreover, as set forth in Mr. Kamensky's Affidavit, the Neiman Defendants' allegation of recklessness is demonstrably false. Marble Ridge thoroughly investigated the indenture covenants, Neiman's public SEC filings and various analyst reports to evaluate the permissibility of the transaction. *See* Aff. ¶¶ 7-18. Moreover, Marble Ridge sought to allay its concerns by asking the Company and its advisors to provide information to support its position. *See id.* ¶¶ 12-16. Only after having been denied a response, did Marble Ridge raise its concerns to the Board of Directors. *See id.* In the September 18 Letter, Marble Ridge explicitly stated that its views were based on its "review of all relevant public information," and made several highly specific requests for additional information from Neiman so that it could more thoroughly and accurately evaluate the propriety transactions. *Id.*, Ex. 20. Given the undisputed evidence of Marble Ridge's diligence, its effort to obtain additional information from the Company and the Neiman Defendants' reliance on conclusory allegations made on "information and belief," Neiman cannot establish actual malice. *See WFFA-TV*, 978 S.W.2d at 574 (dismissing defamation claim where defendant "negate[d] actual malice" allegations by submitting an affidavit detailing her belief that her reports were accurate, explaining the foundation of her belief, and listing the materials she reviewed in report); *see also Dollar v. Ga-Pac., Corp.*, 59 F.3d 1242 (5th Cir. 1995) (unpublished table opinion) (finding that a "thorough investigation" prior to making any statements related to the subject matter indicates a lack of malice).

3. ***Neiman Cannot Provide "Clear and Specific" Evidence of Actual Damage***

The Counterclaims further must fail for yet another independent reason: the Neiman Defendants cannot demonstrate special damages. Defamation under Texas law is delineated into two categories: *per se* and *per quod*. *See Hancock v. Variyam*, 400 S.W.3d 59, 63-64 (Tex. 2013). Defamation *per se* involves "statements that are so obviously hurtful to a plaintiff's reputation that the jury may presume general damages, including loss of reputation and mental anguish." *Id.* "Defamation *per quod* is all other defamation that is not actionable *per se,*" and requires a showing of actual damages. *Id*. Thus, unless Marble Ridge's purported defamatory statements constituted defamation *per se*, to survive under the regimen of the TCPA, the Neiman Defendants must provide *prima facie* evidence of actual damages resulting from the Statements. The Neiman Defendants cannot surmount this hurdle.[6]

Because the alleged defamatory statements are not defamation *per se*, an essential element of the Counterclaims is proof of special damages. *See Kelly v. Diocese of Corpus Christi*, 832 S.W.2d 88, 91 (Tex. App.—Corpus Christi 1992, writ dism'd w.o.j.); *see also Hancock*, 400 S.W.3d at 68 ("Having concluded that Hancock's statements were not defamatory *per se*, we need not decide whether the statements were defamatory because—even if they were as a matter of law—there is no evidence of actual damages."). The Neiman Defendants cannot meet their burden of demonstrating by clear and specific evidence that the Statements have caused Neiman any injury or damages. Neiman's precarious financial condition has been widely observed and commented upon for years prior to the Statements and, as publicly disclosed by Moody's and S&P, Neiman's

[6] The four categories of statements that are typically classified as defamation *per se* are: (i) statements injuring a person in his office, profession, or occupation; (ii) statements charging a person with the commission of a crime; (iii) statements imputing sexual misconduct; or (iv) statements accusing one of having a loathsome disease. *See Tex. Disposal Sys. Landfill, Inc. v. Waste Mgmt. Holdings, Inc.*, 219 S.W.3d 563, 581 (Tex. App.—Austin 2007, pet. denied).

credit downgrades are based upon market indicators and Company financial information, not "noise" from Marble Ridge. *See* Aff., Exs. 1, 3-15, 24-27, 29. Moreover, if "there are several consistent, possible causes for" Neiman's alleged damages, Neiman carries the burden of offering evidence to exclude these causes of damage with reasonable certainty. *See Transcon.l Ins. Co. v. Crump*, 330 S.W.3d 211, 218 (Tex. 2010) (applying burden-shifting dynamic to evidence related to determining cause of death); *see also Tubelite, a Div. of Indal, Inc. v. Risica & Sons, Inc.*, 819 S.W.2d 801, 805 (Tex. 1991) ("When the circumstances are equally consistent with either of two facts, neither fact may be inferred."). By Neiman's own admission, it is engaged in restructuring talks with its lenders and bondholders and is widely reported to be in a precarious financial condition. Neiman accordingly cannot meet its burden here.

CONCLUSION

Plaintiffs' motion should be granted, dismissing the Counterclaims, and awarding Plaintiffs their legal fees and costs associated with this motion, along with sanctions against the Neiman Defendants sufficient to deter the Neiman Defendants from bringing similar actions in the future. Plaintiffs seek all other relief, at law or in equity, to which they may be entitled.

Dated: January 2, 2018
Dallas, Texas

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Marble Ridge's Motion to Dismiss Counterclaims Pursuant to the Texas Citizens Participation Act has been served on the following counsel of record via electronic mail on this 2nd day of January 2019.

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CAUSE NO. DC-18-18371

MARBLE RIDGE CAPITAL LP and MARBLE RIDGE MASTER FUND LP, Plaintiffs, v. NEIMAN MARCUS GROUP, INC., MARIPOSA INTERMEDIATE HOLDINGS LLC, NEIMAN MARCUS GROUP LTD LLC, THE NEIMAN MARCUS GROUP LLC, and NEIMAN MARCUS GROUP INTERNATIONAL LLC, Defendants.	§ § § § § § § § § § § § § § §	IN THE DISTRICT COURT 116th JUDICIAL DISTRICT DALLAS COUNTY, TEXAS

AFFIDAVIT OF DANIEL KAMENSKY IN SUPPORT OF MOTION TO DISMISS COUNTERCLAIMS PURSUANT TO THE TEXAS CITIZENS PARTICIPATION ACT

I, DANIEL KAMENSKY, being duly sworn, state:

1. I submit this affidavit in support of the motion of Marble Ridge Capital LP and Marble Ridge Master Fund LP (collectively, "Marble Ridge") to dismiss, pursuant to the Texas Citizens Participation Act, the counterclaims asserted against Marble Ridge for defamation and business disparagement (the "Counterclaims") by Defendants Neiman Marcus Group, Inc., Mariposa Intermediate Holdings LLC, Neiman Marcus Group LTD LLC, The Neiman Marcus Group LLC, and Neiman Marcus Group International LLC (collectively, the "Neiman Defendants") filed in the above-captioned proceeding (the "Proceeding"). Unless otherwise indicated, the information set forth herein is based on my personal knowledge.

2. I am the Managing Partner at Marble Ridge Capital LP ("MRC"), an investment firm that specializes in distressed debt investing and other strategic, event-driven investment opportunities. MRC is a Delaware limited partnership with executive offices located at 111 West

EXHIBIT A

33rd Street, New York, New York 10120. MRC is an SEC-registered investment advisor. MRC is the advisor to Plaintiff Marble Ridge Master Fund LP, a Cayman Islands limited partnership ("Master Fund"). Marble Ridge has assembled an institutional-quality team based on a common culture and shared values to ensure a strong foundation of success. The team has extensive experience in fundamental analysis and process-driven situations in the credit and equity markets.

3. I have over 19 years of industry experience, having started my career as a bankruptcy attorney at the law firm of Simpson Thacher & Bartlett. Prior to working at Simpson, I clerked for the Honorable Susan H. Black of the 11th Circuit Federal Court of Appeals. Since 2005, I have worked in a variety of senior positions at Lehman Brothers, Barclays and Paulson & Co. Inc., where I have specialized in distressed and event-driven investing. I have also written extensively in Law Journals, including the Fordham Law Review and the American Bankruptcy Institute Law Journal, about bankruptcy-related topics. I was the Founding Member and Chairman of the Bankruptcy & Creditor Rights Group of the Managed Funds Association, the leading association representing alternative investment funds. I currently serve on the Litigation Committee of the Loan Sales & Trading Association, the premier industry association representing borrowers and lenders in the $1 trillion loan market, which files amicus briefs in support of issues of concern to the loan markets. I previously served as Chair of the LSTA Trade Practices & Forms Committee, where I oversaw market-standard practices of borrowers and lenders in the loan markets. I have spoken at various conferences on bankruptcy-related topics and served as a Member of an Advisory Committee to the American Bankruptcy Institute's ABI Commission to Study Reform of the Bankruptcy Code and testified publicly in front of the Commission.

4. The Master Fund is the beneficial holder of loans (the "Term Loans") outstanding under the Term Loan Credit Agreement dated as of October 25, 2013 among Mariposa Intermediate Holdings LLC, Neiman Marcus Group LTD LLC (the "Company" or "Neiman"), the subsidiaries of the Company from time to time party thereto, Credit Suisse AG, Cayman Islands Branch as administrative and collateral Agent, and the lenders thereto, as amended (the "Credit Agreement"). The Master Fund is also the beneficial holder of notes issued by the Company under two indentures, namely the indenture for the Company's 8.0% Senior Cash Pay Notes due 2021 (the "Cash Pay Notes") and the indenture for the Company's 8.75%/9.5% Senior PIK Toggle Notes due 2021 (the "PIK Notes"). Marble Ridge currently holds in excess of 10% of the PIK Notes outstanding, making Marble Ridge, based on Bloomberg position disclosures, the third largest holder of the PIK Notes and a significant creditor of Neiman. The Term Loans, the Cash Pay Notes and the PIK Notes are hereinafter referred to collectively as "Neiman Obligations."

5. At all times since the Master Fund acquired Neiman Obligations, MRC has maintained a high level of diligence regarding the financial condition of the Company and the industry in which it operates as well as a range of issues affecting the value of the Neiman Obligations. Among the resources that MRC continuously draws upon in its role as advisor to the Master Fund are the Company's legally mandated reports to the SEC, other disclosures made by the Company, examination of the documentation underlying the Neiman Obligations, Company press releases, earnings calls and webcasts. Additionally, MRC reviews reports of some of the many financial and legal analysts that cover the Company and its competitors and assiduously follows trends and developments that are potentially impactful to the value of the Neiman Obligations.

6. As media coverage of the Company reflects, since 2016, the Company has been facing extremely challenging conditions and has experienced certain adverse, company specific developments. Moreover, the Company is facing looming maturities of its indebtedness, including a springing maturity of its Revolving Credit Facility in July 2020, followed by the Term Loans in October 2020, and the Cash and PIK Notes in October 2021. Attached hereto as **Exhibit 1** is a true and correct copy of a credit report dated March 20, 2017 (the "March 20, 2017 Debtwire Report") issued by Debtwire Analytics ("Debtwire"). Debtwire is one of the financial research publications that covers Neiman on a regular basis and is widely read by investors in the credit markets. As the March 20, 2017 Debtwire report reflects, coming into 2017, financial analysts anticipated the possibility that the Company would be looking at "strategic alternatives." This phrase is well-understood to include a range of transactions that are considered by a company in financial distress, *i.e.,* measures intended to forestall or prevent default and bankruptcy. Such transactions might include the negotiated restructuring of the Neiman Obligations, exchanges of obligations for other obligations with different terms or sales of assets that would enable the Company to retire debt and/or extend maturities of its existing obligations. It is customary for highly-levered companies, like Neiman, to seek to refinance their indebtedness in advance of the twelve-month period prior to maturity to avoid a "going concern" audit qualification and mitigate vendor concerns. Distressed debt situations present risks and opportunities for investors and monitoring those opportunities is an investment strategy pursued by MRC on behalf of Master Fund. MRC accordingly follows developments concerning such distress investment very closely in its role as advisor to the Master Fund.

7. In March 2017, the Company disclosed that it had redesignated entities that own the MyTheresa brand related assets (the "MyTheresa Entities") and properties in Texas and

Virginia (the "Real Property") as "unrestricted subsidiaries" (the "Redesignation"). Attached hereto as **Exhibit 2** is a true and correct copy of a Neiman Marcus Press Release entitled "Neiman Marcus Group LTD LLC Reports Second Quarter Results" disclosing the Redesignation. The Redesignation was heavily covered by the financial media and was the topic of various analyses. Attached hereto as **Exhibit 3** is a true and correct copy of a Reuters article entitled "*Neiman Marcus bondholders left guessing*" that is an example of such coverage. Attached hereto as **Exhibit 4** is a true and correct copy of a publication, dated March 17, 2017, issued by Reorg Research, a well-regarded source of analysis regarding companies, such as Neiman, whose debt is being traded at values substantially below par due to their distressed financial condition. MRC routinely reviews a variety of related publications as a complement to our other analytical activities and diligence.

8. By way of further example, attached hereto are true and correct copies of the following articles by Reuters covering Neiman's financial condition:

a. "*Neiman Marcus same-store sales fall for first time in 6 years*," dated December 14, 2015 (attached hereto as **Exhibit 5**);

b. "*Neiman Marcus CDS widens 45%*," dated December 17, 2015 (attached hereto as **Exhibit 6**);

c. "*Neiman Marcus same-store sales fall for 2nd straight quarter*," dated March 15, 2016 (attached hereto as **Exhibit 7**);

d. "*Neiman Marcus' same-store sales fall amid apparel slowdown*," dated June 14, 2016 (attached hereto as **Exhibit 8**);

e. "*Neiman Marcus posts bigger loss due to asset writedowns*," dated September 26, 2016 (attached hereto as **Exhibit 9**);

f. "*Neiman Marcus CEO on conf call - Operational challenges in Q1 included inventory management system transition*," dated December 13, 2016 (attached hereto as **Exhibit 10**);

g. "*Struggling upscale U.S. retailer Neiman Marcus pulls IPO*" dated January 6, 2017 (attached hereto as **Exhibit 11**);

h. "*Neiman Marcus hires debt restructuring adviser,*" dated March 3, 2017 (attached hereto as **Exhibit 12**);

i. "*Debt-laden Neiman Marcus says exploring options, including sale,*" dated March 14, 2017 (attached hereto as **Exhibit 13**);

j. "*Debt-laden Neiman Marcus abandons hope of a sale,*" dated June 13, 2017 (attached hereto as Exhibit 14);

k. "*Neiman Marcus in talks with lenders for debt overhaul,*" dated October 3, 2018 (attached hereto as **Exhibit 15**).

9. Neiman Marcus' SEC filings provide further background regarding Neiman's financial condition. Attached hereto as **Exhibit 16** is a true and correct copy of an excerpt of Neiman Marcus' 10-K, dated September 18, 2018.

10. A range of issues were raised by the Redesignation. These included how the Redesignation fits into the Company's going-forward strategy to deal with its debt load at the time of approximately $4.7 billion and the impending maturities of Neiman Obligations. In addition, the Redesignation raised serious concerns for investors in the Neiman Obligations since, subject to restrictions under applicable law, assets held in an Unrestricted Subsidiary (which was the result of the Redesignation) can be transferred to where they are unavailable to satisfy the claims of holders of Neiman Obligations. This was of particular concern because other distressed companies, such as Caesars, J. Crew Group, and, more recently, PetSmart, had engaged in similar transactions that ultimately resulted in assets transferred away from creditors resulting in eventual litigation and/or bankruptcy.

11. Yet another issue raised by the Redesignation was whether it was actually permitted under the covenants and restrictions of the Neiman Obligations. MRC invested a tremendous amount of time analyzing this issue, essentially attempting to reproduce the calculations that would have had to have been made under the indentures to determine the Company's contractual right to designate Unrestricted Subsidiaries, to form new Unrestricted

Subsidiaries and to transfer Company assets to Unrestricted Subsidiaries. Although MRC was hampered in this effort by its lack of access to internal Company financial information, its analysis of Neiman's debt covenants gave rise to a concern that the Redesignation was not permitted. Following the Redesignation, MRC continued its diligence and continued to follow developments potentially impacting the value of the Neiman Obligations held by the Master Fund.

12. Starting in June 2018, and through August of 2018, MRC reached out to Neiman on multiple occasions in an attempt to learn more information about the Company's financial condition and covenant calculations. For example, in August 2018, MRC Analyst Christian Littlejohn, acting under my direction, contacted Mark Anderson of Investor Relations at Neiman to request additional information regarding the calculations done for purposes of the Redesignation. Neiman stated that it would not comment on this information publicly. MRC requested a call with Neiman, but Neiman stated that it was in its "quiet period" before the earnings release. Attached hereto as **Exhibit 17** is a true and correct copy of e-mail communications between MRC Analyst, Christian Littlejohn, and Mark Anderson of Neiman from August 2018.

13. In response to MRC's inquiries, Neiman referred MRC to its external restructuring advisor, Lazard. On at least three occasions, Marble Ridge held discussions with Tyler Cowan of Lazard regarding Neiman's compliance with its debt covenants, Neiman's financial prospects, and restructuring alternatives. Neiman, however, did not provide Marble Ridge with any additional information from which MRC could determine whether the Redesignation was permitted under the debt covenants. On September 14, 2018, I relayed our concerns that the Redesignation may have caused a default under the Indentures to Mr. Cowan to

provide him with an opportunity to assuage those concerns. Mr. Cowan, however, indicated that the Company would not comment on the Redesignation. In response, I indicated that a letter would be forthcoming.

14. On September 18, 2018, Neiman announced that it had distributed the myTheresa Entities to Neiman Marcus Inc. for no consideration (the "Transfer," and, together with the Redesignation, the "Transactions"). Attached hereto as **Exhibit 18** is a true and correct copy of a press release issued by the Company disclosing the Transfer and describing it as an "organizational change." The impact of the Transfer on the Company and its financial condition are described in detail in the Petition filed by MRC and Master Fund commencing the Proceeding. As stated in the Petition, at the time of the Transfer, MRC believed the value of the assets owned by the MyTheresa Entities exceeded $1 billion.

15. MRC listened to Neiman's earnings call on September 18, 2018. After the earnings call, MRC requested a call with Neiman to discuss the quarterly results. Neiman responded that it would not be addressing individual questions from investors and referred MRC to Neiman's 10-K report. Attached hereto as **Exhibit 19** is a true and correct copy of e-mail communications between MRC Analyst, Christian Littlejohn, and Mark Anderson of Neiman, dated September 18, 2018. Separately, I called Mr. Cowan immediately after the call to express my deep concern over the transfer. Mr. Cowan responded that the Transfer had been structured in a manner to allegedly permit the assets to be re-contributed to the Company assuming there was a consensual debt negotiation. I responded that, in our view, the Company had betrayed creditor trust by the transfer.

16. In response to the Transfer, MRC sought additional information from the Company and its counsel and put the Company and its counsel on notice that potential litigation

claims may be pursued. Attached hereto as **Exhibit 20** is a true and correct copy of a letter sent by MRC to the Company, dated September 18, 2018 (the "September 18 Letter"'). The September 18 Letter sets out the purposes and concerns of MRC that prompted its writing. The September 18 Letter accurately reflects the views and intentions of MRC at the time it was written.

17. According to the Neiman Defendants, prior to sending the September 18 Letter, "Marble Ridge *did not assess whether* there was a good faith basis for any of the *reckless accusations* it made [therein]." Ans. ¶ 59 (emphasis added). This allegation is patently false on many levels. *First*, as a review of the September 18 Letter shows, it is not fair to characterize it as including "accusations." Although in the September 18 Letter MRC expresses serious concerns about a possible default by Neiman, it does not *accuse* Neiman of having violated the agreements pursuant to which the Neiman Obligations were issued. It instead posits the possibility that Neiman had breached its covenants and, among other matters covered by the September 18 Letter, it requests further information from the Company in order for MRC to complete its analysis regarding potential default. *Second*, the Neiman Defendants' assertion that MRC did not appropriately assess available information prior to transmitting the September 18 Letter is factually untrue – as I believe the Neiman Defendants know. Indeed, the "did not assess" allegation made by the Neiman Defendants is tellingly only made "upon information and belief." In fact, prior to corresponding with the Company, MRC engaged in substantial diligence with regard to issues raised by the Redesignation and later, by the Transfer. To reiterate: (i) MRC is staffed with experts in financial legal, and covenant analysis, (ii) MRC engaged outside counsel regarding such internal assessments, (iii) prior to sending the September 18 Letter, MRC had engaged in rigorous examination of all available information regarding the subject matters

covered by the September 18 Letter, and (iv) as described above, MRC sought to obtain from Neiman the complete set of data needed to conclusively determine whether a default had occurred, only to be rebuffed by Neiman. It was only after having completed all analyses possible based on information reported in the financial press and other sources of information, and after having exhausted all potentially available avenues to obtain additional information, that I indicated that Marble Ridge would be left with no choice but to send a letter to the Company outlining our concerns. Even in detailing its purported Counterclaims against Marble Ridge, Neiman continues to conceal the calculations and other matters that are essential to understanding whether the Redesignation was in fact permitted under the relevant indentures. Neiman's conclusory assertions that the Transactions were "expressly permitted" under its credit documents fall far short of satisfying legitimate creditor concerns. Furthermore, the Neiman Defendants are not entitled to deploy frivolous counterclaims for the purpose of quashing expression of these legitimate concerns.

18. As reflected in the September 18 Letter, MRC's analysis led MRC to believe that at the time of the Transfer, the Company was "balance sheet insolvent." In other words, its assets, at a fair valuation, were less than the face value of the Neiman Obligations and other debt of the Company. This opinion regarding the Company's insolvency was supported by the various resources used by MRC, and various publications, including Debtwire. I respectfully refer the Court to page 6 of the March 20, 2017 Debtwire Report, which is headed "Valuation Waterfall." The analysis on that page shows a range of possible recoveries by creditors of different Neiman Obligations in the event of a default or bankruptcy. Essentially, the analysis indicates that the Company was deeply insolvent such that in the event of a default, holders of unsecured Neiman Obligations would recover, at best, only a small fraction of the value of their investments.

19. Given MRC's concerns about the Company's insolvency and the massive diminution of value caused by the Transfer, at the time MRC prepared the September 18 Letter, it was seriously contemplating bringing a suit against the Company in order to obtain a remedy for what MRC regarded as a reckless and potentially unlawful transfer of assets away from the Company. On September 21, 2018, MRC issued a press release addressing the September 18 Letter, a true and correct copy of which is attached hereto as **Exhibit 21**.

20. Attached hereto as **Exhibit 22** is a true and correct copy of the Company's September 21, 2018 letter responding to MRC (the "September 21, 2018 Letter"). MRC regarded the September 21, 2018 Letter as inadequate to address its concerns and questions.

21. MRC chose to follow up with a further letter in response to the Company and to further elaborate its views. Attached hereto as **Exhibit 23** is a true and correct copy of Marble Ridge's September 25, 2018 letter in reply.

22. In its Answer and Counterclaims filed in this Proceeding, the Neiman Defendants apparently hope to suggest that there is a consensus among market participants and analysts that the Transactions were permitted by the debt instruments governing the Neiman Obligations. In fact, no such consensus exists. Attached hereto as **Exhibit 24** is a true and correct copy of an analysis, dated December 17, 2018, published by the Covenant Review, a well-regarded analytics firms specializing in the bond markets. The Covenant Review analysis echoes the same points made in Marble Ridge's correspondence – the Company has not been forthcoming about the basis upon which it went forward with the Redesignation and the Transfer. As stated by Covenant Review: "[T]hus far the Company has not provided the full picture to investors seeking to understand how the Company was able to move the MyTheresa

Business and the three real properties to Unrestricted Subsidiaries." It should be noted that Exhibit 24 was published only after the Company filed its Counterclaims against Marble Ridge.

23. Pursuant to the Counterclaims, the Neiman Defendants assert that Marble Ridge correspondence and press releases have harmed Neiman, adversely impacted its relationships with trade creditors and others and contributed to recent credit downgrades. These allegations are utter nonsense. Marble Ridge exerts no such power over the market's perception of Neiman's creditworthiness. The financial and trade press have been flooded with negative news about Neiman since at least 2016. The concerns of its business partners and trade suppliers are driven by publicly available financial data about Neiman's debt level and the sharp decline in its performance over the period since it was acquired by its current equity sponsors in 2013. More recently, the market's perception has also been influenced by the Redesignation and the Transfer and the message that those Transactions convey about the willingness of Neiman's equity sponsors to engage in transactions that benefit themselves while harming Neiman's creditors. Critically, those concerns have been validated by Neiman's own actions in hiring restructuring advisors and engaging with creditors to restructure its indebtedness.

24. On October 29, 2018, Moody's Investors Service downgraded Neiman Marcus Group LTD LLC from CFR to Caa3. The Neiman Defendants actually go so far as to suggest in the Counterclaims that Marble Ridge somehow contributed to or is partially responsible for that credit downgrade. The notion that statements by Marble Ridge had an impact on the Moody's credit rating is ludicrous. As the Neiman Defendants are well aware, that is not how Moody's operates. A true and correct copy of the October 29, 2018 Moody's report is attached hereto as **Exhibit 25.** A true and correct copy of a press release issued by Moody's regarding the downgrade is attached hereto as **Exhibit 26**. The report and the press release explain how, in

actuality, Moody's arrives at its ratings. Notably neither Marble Ridge nor this lawsuit is mentioned in the Moody's materials.

25. Also on October 29, 2018, S&P Global Ratings downgraded Neiman Marcus Group LLC from CCC to CCC-, stating that the outlook is negative. A true and correct copy of the S&P Ratings report is attached hereto as **Exhibit 27**. S&P Ratings, like Moody's, notes the possibility that Neiman will be pursuing a distressed exchange or debt restructuring in the next six months. This lawsuit is not mentioned in the S&P Rating report.

26. Attached hereto as **Exhibit 28** is a true and correct copy of the Company's 8-K, dated December 6, 2018.

27. Attached hereto as **Exhibit 29** is a true and correct copy of a Debtwire Credit Report for Neiman Marcus Group, dated December 19, 2018.

28. Just prior to filing this Action, counsel to the Neiman Defendants called me directly to warn that if Marble Ridge commenced the suit, the Neiman Defendants would retaliate like a "pile of bricks." When I pressed such counsel for any information that we were missing in our analysis of the problems with the Transactions, counsel was unable to identify any errors in Marble Ridge's analysis. Since Marble Ridge was not going to be deterred from filing the Action based on threats of retaliation by the Neiman Defendants, the Action was filed shortly thereafter.

Dated: New York, New York
January 2, 2018

Daniel Kamensky

Sworn before me this __ day of January
2019.

Notary Public

NICOLE ULTSH
NOTARY PUBLIC-STATE OF NEW YORK
No. 01UL6360031
Qualified In Queens County
My Commission Expires 06-12-2021

NEIMAN MARCUS GROUP RETAIL, US

CREDIT REPORT | 20 MARCH 2017

DEBTWIRE ANALYTICS

CAPITAL STRUCTURE									
Capital Structure at 28 January 2017	**Coupon**	**Face Amount[1]**	**Price**	**Market Amount**	**Yield**	**Maturity**	**Annual Cash Interest**	**LTM Face Leverage**	**LTM Market Leverage**
USD 900m ABL	L+1.25 to 1.75%	170	100	170	2.8%	25 Oct 2018	3	0.3x	0.3x
Senior Secured Term Loan	L + 3.25 to 4.0%	2,854	81	2,312	10.9%	25 Oct 2020	124	6.2x	5.1x
2028 Debentures	7.125%	122	82	100	9.8%	01 Jun 2028	9	6.4x	5.3x
Secured Debt		**3,146**		**2,582**			**136**		
Cash Pay Notes	8.0%	960	59	566	22.8%	15 Oct 2021	77	9.6x	7.1x
PIK Toggle Notes	8.75%/9.5%	600	55	330	26.1%	15 Oct 2021	53	9.6x	7.1x
Consolidated Debt		**4,706**		**3,478**			**266**	**9.6x**	**7.1x**
Cash		48		48					
Net Debt		**4,658**		**3,430**				**9.5x**	**7.0x**
Enterprise Value		**4,658**		**3,430**					
LTM Adjusted EBITDA to 2Q17		**488**							

(1) The total face amount of the debt shown above includes USD 91.68m of unamortized debt issuance costs, which are eliminated from the total debt on the balance sheet.

OVERVIEW

- When **Neiman Marcus** (NMG) reported its second-quarter results through 28 January, they immediately became less of the credit issue than the announcement that the company was exploring strategic alternatives. Press reports during the next day put an acquisition of Neiman Marcus by Canadian retailer Hudson Bay at the top of the list of options. The fact that Neiman is looking at strategic alternatives isn't shocking. The company has said its declining sales and margins are the result of low oil prices, a strong US dollar and a volatile global economy. More recently, it attributed a portion of its decline to the challenges of integrating a new inventory and distribution system, which has resulted in decreased sales, improper markdowns and incremental costs. Even if you make the bold assumption that the macroeconomic factors and the systems issues are temporary, the business has fallen so far, so fast that the impact of the declines has a permanence, even if the causes are reversible. Through 2Q17, LTM adjusted EBITDA was USD 488m; a year ago, it was USD 658m and two years ago, it was USD 713m. From the perspective of the owners of Neiman, they have to be looking at this situation as one of salvaging what they can, versus the upside they envisioned when they acquired it in September of 2013. Rather than reaching a point of stabilization, same store sales decreases are increasing, margins continue to erode and the company is now at negative free cash flow. Our forecast has leverage at the end of fiscal 2017, on a pro forma basis, in a range of 11x, before even taking into account debt that might be incurred to fund operating losses. Given the rising leverage, uncertainty of the business direction and a major operational misstep by management, we think the decision to evaluate strategic alternatives at this time is a recognition that the problems at Neiman are not solvable without some radical steps, such as the rumored sale or a monetization of its owned real estate, should a sale not occur.
- The business story has been ugly and the trajectory of the decline has been getting worse. The company is at seven consecutive YoY quarters of adjusted EBITDA decline. Sales fell in 1H17 by negative 6.7%, but the gross margin on a dollar basis fell by 10.9%. We estimate the company has USD 686m of liquidity between cash of USD 48m and borrowing capacity under its ABL of USD 638m. But with LTM adjusted EBITDA at USD 488m and capex and cash interest of USD 533m, the company is faced with choices to reduce cash usage such as cutting capex, tighter working capital controls and availing itself of the PIK option with the USD 600m PIK Toggle Notes that may exacerbate its challenges. The possible "strategic alternative" routes that could be taken have risk for the debt holders, particularly the unsecured holders. However, continuing on the route the business is on, absent some change, may be equally risky. Unless some miraculous turnaround occurs in performance, the choice might be one of which option is less bad.

PREVIOUS *DEBTWIRE* EDITORIAL COVERAGE

Legal Analysis: Neiman Marcus—Implications of an acquisition by Hudson's Bay Co.	20 March 2017
Neiman Marcus reports 2Q17 revenue down 6.1% YoY; announces plans to explore strategic alternatives	14 March 2017
Neiman Marcus lenders on high alert for asset transfers.	9 March 2017

BUSINESS DESCRIPTION

Neiman Marcus Group LTD LLC is a luxury fashion retailer with store and online operations conducted under several tradenames. The most prominent part of the business is the 44 full-line Neiman Marcus stores. In New York City, Neiman Marcus operates its two stores under the Bergdorf Goodman brand. The company also operates 41 Last Call outlet stores and the Mytheresa.com luxury online business out of Germany. In September 2013, private equity firms TPG and Warburg Pincus sold Neiman Marcus to Ares Management and the Canada Pension Plan Investment Board for USD 6bn. Based on EBITDA (unadjusted) through July 2013, the purchase price multiple was approximately 9.5x.

Issuer Summary (USD	
Country	US
Sector	Retail
Total Assets	8,156
Total Debt	4,706
Book Equity	809
Fiscal Year-End	30-Jul

USD m	FY15	FY16	LTM
Adj. EBITDA	711	585	488
Cash Interest	266	269	272
Capex	270	301	261
Levered FCF	175	15	(45)

DISTRESSED CREDIT | DEBTWIRE NORTH AMERICA

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Sources: SEC Filings, Press Releases, Debtwire Analytics

EXHIBIT 1

ADJUSTED EBITDA ESTIMATE AND LIQUIDITY FORECAST

ADJUSTED EBITDA SCENARIOS					
USD m	1Q	2Q	3Q	4Q	FY
Month Quarter Ends	October	January	April	July	FY
FY 2014	193	192	194	119	698
FY 2015	194	206	203	108	711
FY 2016	164	183	173	65	585
FY 2017	123	127			
$ Change '16/15	(30)	(23)	(30)	(43)	(126)
% Change '16/15	-15.5%	-11.2%	-14.8%	-39.8%	-17.7%
$ Change '17/'16	(41)	(56)			
% Change '17/16	-25.0%	-30.6%			
2017E Adjusted EBITDA Scenarios					
FY 2017 Scenario 1 - 2H17 percent decline for both quarters at the same level as last year. 1H17 Actual.					
Forecast Adjusted EBITDA	123	127	147	39	437
LTM Adjusted EBITDA Roll-Forward	544	488	462	437	
YoY % Change per quarter	-25.0%	-30.6%	-14.8%	-39.8%	-25.4%
FY 2017 Scenario 2 - 2H17 down by 1H17 average. 1H17 Actual					
Forecast Adjusted EBITDA	123	127	125	47	421
LTM Adjusted EBITDA Roll-Forward	544	488	440	421	
YoY % Change per quarter	-25.0%	-30.6%	-28.0%	-28.0%	-28.0%
Leverage Ratio Impact					
Total Debt at 2Q17		**4,706**	**Leverage at 2Q17**		**9.6x**
Leverage Scenario 1 - By Quarter	**8.7x**	**9.6x**	**10.2x**	**10.8x**	
Leverage Scenario 2 - By Quarter	**8.7x**	**9.6x**	**10.7x**	**11.2x**	

We have updated our forecast through the end of the 2017 fiscal year following the release of 2Q17 results. In this revised forecast, we have taken a similar approach to what we have done for the last several months, which is to assume that earnings continue to erode, with the difference in the scenarios tied to the expected rate of decline. From 1Q16-3Q16, adjusted EBITDA declined YoY by 15.5%, 11.2% and 14.8%, respectively. Rather than reaching a point of stabilization or even matching the level of decline, for the last three quarters the rate of decrease has accelerated. From 4Q16 to the recently reported 2Q17, the YoY rate of negative adjusted EBITDA change has been 39.8%, 25% and 30.6%, respectively. In Scenario 1, we assume the decline is the same as the level in the respective quarter in fiscal 2016. In Scenario 2, we assume that 2H17 declines at the same rate as in 1H17. The range of our forecast is relatively narrow at USD 421m-USD 437m, but it is entirely possible both are too high. With the run-rate for capex and interest expense at a combined USD 533m per year, the company is now operating at negative free cash flow, with no sign of improvement in the foreseeable future.

LIQUIDITY (USD m)	
Cash	48
Revolver Availability	638
Total Pro Forma Liquidity at 28 January 2017	**686**

LIQUIDITY FORECAST - SCENARIO 1	
Total Liquidity	686
Estimated 2H17 Adjusted EBITDA	187
FY 2H17 Estimated Capex (Equal to 1H level)	(114)
Cash Interest at 1H17 level	(154)
Amortization of Term Loan	(29)
Total Est. Liquidity at FYE 2017	**576**

LIQUIDITY FORECAST - SCENARIO 2	
Total Liquidity	686
Estimated 2H17 Adjusted EBITDA	171
FY 2H17 Estimated Capex (Equal to 1H level)	(114)
Cash Interest at 1H17 level	(154)
Amortization of Term Loan	(29)
Total Est. Liquidity at FYE 2017	**560**

Real Estate Summary	Locations	Gross Sq Footage
Owned - Collateral Term Loan	16	2,048,000
Owned - Mortgaged TL & 2028s	8	1,170,000
Total Owned Stores	24	3,218,000
DCs, Support and Office Space		1,480,000
Total Owned Real Estate		4,698,000
Leased - Department Stores	20	2,721,000
Leased - Last Call Stores & other	42	1,082,000
Leased DC Support and Office Space		1,532,000
Total Leased Space	86	5,335,000
Total Operated Real Estate		10,033,000

Sources: SEC Filings, Press Releases, Debtwire Analytics

USD millions	ANNUAL				QUARTERLY									
Fiscal Period:	FY14	FY15	FY16	LTM	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Period Ended:	8/2/14	8/1/15	7/30/16	1/28/17	11/1/14	1/31/15	5/2/15	8/1/15	10/31/15	1/30/16	4/30/16	7/30/16	10/29/16	1/28/17
Income Statement														
Net Revenue	**4,839**	**5,095**	**4,949**	**4,772**	**1,186**	**1,522**	**1,220**	**1,167**	**1,165**	**1,487**	**1,169**	**1,128**	**1,079**	**1,396**
Cost of Sales	(3,248)	(3,306)	(3,323)	(3,243)	(728)	(1,019)	(755)	(804)	(736)	(1,026)	(743)	(818)	(700)	(982)
Gross Profit	**1,591**	**1,789**	**1,626**	**1,529**	**458**	**503**	**465**	**363**	**429**	**461**	**426**	**310**	**379**	**414**
Selling, general and administrative	(1,101)	(1,162)	(1,118)	(1,115)	(286)	(323)	(286)	(267)	(285)	(302)	(275)	(256)	(276)	(308)
Income from Credit Card Program	56	53	61	63	14	15	12	12	13	16	15	17	14	17
Depreciation and Amortization	(309)	(323)	(338)	(340)	(93)	(73)	(78)	(79)	(85)	(82)	(87)	(84)	(85)	(84)
Other expenses	(196)	(39)	(27)	(14)	(20)	(3)	(5)	(11)	(17)	(8)	1	(3)	(7)	(5)
Impairment Charges	0	0	(466)	(620)	0	0	0	0	0	0	0	(466)	0	(154)
Operating Earnings	**41**	**318**	**(262)**	**(497)**	**73**	**119**	**108**	**18**	**55**	**85**	**80**	**(482)**	**25**	**(120)**
Reported Adj. EBITDA	**698**	**711**	**585**	**488**	**194**	**206**	**203**	**108**	**164**	**183**	**173**	**65**	**123**	**127**
LTM Adj. EBITDA	**698**	**711**	**585**	**488**	**699**	**713**	**722**	**711**	**681**	**658**	**628**	**585**	**544**	**488**
Interest Expense	270	290	285	288	73	72	73	72	72	71	73	69	72	74
LTM Interest Expense	270	290	285	288	306	300	291	290	289	288	288	285	285	288
Net Income (Loss)	**(147)**	**15**	**(406)**	**(545)**	**0**	**28**	**20**	**(33)**	**(10)**	**8**	**4**	**(408)**	**(24)**	**(117)**
Current Assets		Restated			Restated									
Cash and equivalents	196	73	62	48	81	127	82	73	59	57	77	62	42	48
Merchandise inventories	1,070	1,155	1,125	1,213	1,281	1,112	1,173	1,155	1,350	1,166	1,201	1,125	1,325	1,213
Prepaid expenses and other current assets	144	126	147	167	144	152	143	126	169	168	204	147	162	167
Non-Current Assets	**1,410**	**1,354**	**1,334**	**1,428**	**1,506**	**1,391**	**1,398**	**1,354**	**1,578**	**1,391**	**1,482**	**1,334**	**1,529**	**1,428**
PP&E, Net	1,390	1,478	1,588	1,601	1,409	1,425	1,440	1,478	1,504	1,533	1,548	1,588	1,607	1,601
Favorable Leases	1,095	1,040	985	957	1,082	1,068	1,054	1,040	1,027	1,013	999	985	972	957
Intangible assets	4,707	4,831	4,332	4,147	4,908	4,880	4,839	4,831	4,815	4,797	4,792	4,332	4,321	4,147
Other long-term assets	160	17	17	23	155	147	140	17	135	132	124	17	36	23
Total Assets	**8,762**	**8,720**	**8,256**	**8,156**	**9,060**	**8,911**	**8,871**	**8,720**	**9,059**	**8,866**	**8,945**	**8,256**	**8,465**	**8,156**
Current Liabilities														
Accounts Payable	375	343	318	384	373	307	280	343	323	288	265	318	347	384
Accrued Liabilities	452	493	493	510	475	490	457	493	469	526	487	493	485	510
CPLTD	29	29	29	29	29	29	29	29	29	29	29	29	29	29
Non-Current Liabilities	**856**	**865**	**840**	**923**	**877**	**826**	**766**	**865**	**821**	**843**	**781**	**840**	**861**	**923**
Gross Debt	**4,609**	**4,585**	**4,613**	4,615	**4,832**	**4,720**	**4,738**	**4,585**	**4,913**	**4,731**	**4,823**	**4,613**	**4,802**	**4,615**
Net Debt	**4,413**	**4,512**	**4,551**	4,567	**4,751**	**4,593**	**4,656**	**4,512**	**4,854**	**4,674**	**4,746**	**4,551**	**4,760**	**4,567**
Other long-term liabilities	1,893	1,885	1,889	1,838	1,950	1,944	1,941	1,885	1,951	1,913	1,952	1,889	1,908	1,838
Total Liabilities	**7,329**	**7,306**	**7,313**	**7,347**	**7,630**	**7,461**	**7,416**	**7,306**	**7,656**	**7,458**	**7,527**	**7,313**	**7,542**	**7,347**
Shareholders' Equity	**1,433**	**1,414**	**943**	809	**1,430**	**1,450**	**1,455**	**1,414**	**1,403**	**1,408**	**1,418**	**943**	**923**	**809**
Total Liability and Shareholders' Equity	**8,762**	**8,720**	**8,256**	**8,156**	**9,060**	**8,911**	**8,871**	**8,720**	**9,059**	**8,866**	**8,945**	**8,256**	**8,465**	**8,156**

Sources: SEC Filings, Press Releases, Debtwire Analytics

USD millions	ANNUAL				QUARTERLY									
Fiscal Period:	FY14	FY15	FY16	LTM	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Period Ended:	8/2/14	8/1/15	7/30/16	1/28/17	11/1/14	1/31/15	5/2/15	8/1/15	10/31/15	1/30/16	4/30/16	7/30/16	10/29/16	1/28/17
Cash Flow Statement														
Adjusted EBITDA	**698**	**711**	**585**	**488**	**194**	**206**	**203**	**108**	**164**	**183**	**173**	**65**	**123**	**127**
Capital Expenditures	(174)	(270)	(301)	(261)	(56)	(63)	(64)	(87)	(75)	(79)	(78)	(69)	(65)	(49)
Total Interest Expense	(270)	(290)	(285)	(288)	(73)	(72)	(73)	(72)	(72)	(71)	(73)	(69)	(72)	(74)
Add-Back for Non-Cash Interest (Est)	28	24	16	16	6	6	6	6	4	4	4	4	4	4
Free Cash Flow Levered	**282**	**175**	**15**	**(45)**	**71**	**77**	**72**	**(45)**	**21**	**37**	**26**	**(69)**	**(10)**	**8**
Net Cash from Operating Activities	295	229	310	320	(99)	**221**	1	106	(142)	260	**32**	160	(132)	248
Net Cash from Investing Activities	(3,527)	(452)	(302)	(292)	(238)	(63)	(63)	(88)	(75)	(80)	(78)	(69)	(65)	(48)
Net Cash from Financing Activities	3,292	100	(19)	(45)	222	(112)	18	(27)	203	(182)	66	(106)	177	(192)
Net Change in Cash	**60**	**(123)**	**(11)**	**(17)**	**(115)**	**46**	**(44)**	**(9)**	**(14)**	**(2)**	**20**	**(15)**	**(20)**	**6**
Cash at Beginning of the Period	136	196	73	60	196	81	127	83	73	60	57	77	62	42
Net Change in Cash	60	(123)	(11)	(17)	(115)	46	(44)	(9)	(14)	(2)	20	(15)	(20)	6
Cash at the End of the Period	**196**	**73**	**62**	**43**	**81**	**127**	**83**	**73**	**60**	**57**	**77**	**62**	**42**	**48**
Ratio Analysis														
Y/Y Total Revenue Growth	4.1%	5.3%	-2.9%	-3.6%	5.0%	6.2%	4.7%	4.9%	-1.8%	-2.3%	-4.2%	-3.3%	-7.4%	-6.1%
Gross Margin Merchandise	32.9%	35.1%	32.9%	32.0%	38.6%	33.0%	38.1%	31.1%	36.8%	31.0%	36.4%	27.5%	35.1%	29.7%
SG&A as % of Sales	22.8%	22.8%	22.6%	23.4%	24.1%	21.2%	23.4%	22.9%	24.5%	20.3%	23.5%	22.7%	25.6%	22.1%
Adj. EBITDA Margin	14.4%	14.0%	11.8%	10.2%	16.4%	13.5%	16.6%	9.3%	14.1%	12.3%	14.8%	5.8%	11.4%	9.1%
Net Income Margin	**-3.0%**	**0.3%**	**-8.2%**	**-11.4%**	**0.0%**	**1.8%**	**1.6%**	**-2.8%**	**-0.9%**	**0.5%**	**0.3%**	**-36.2%**	**-2.2%**	**-8.4%**
Total Debt / LTM Adj. EBITDA	6.6x	6.4x	7.9x	9.5x	6.9x	6.6x	6.6x	6.4x	7.2x	7.2x	7.7x	7.9x	8.8x	9.5x
Net Debt / LTM Adj. EBITDA	6.3x	6.3x	7.8x	9.4x	6.8x	6.4x	6.4x	6.3x	7.1x	7.1x	7.6x	7.8x	8.8x	9.4x
Adj. EBITDA / LTM Interest Expense	**2.6x**	**2.5x**	**2.1x**	**1.7x**	**2.3x**	**2.4x**	**2.5x**	**2.5x**	**2.4x**	**2.3x**	**2.2x**	**2.1x**	**1.9x**	**1.7x**

Sources: SEC Filings, Press Releases, Debtwire Analytics

WORKING CAPITAL AND PERFORMANCE METRICS

USD millions													
Fiscal Period:	**FY14**	**FY15**	**FY16**	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**1Q17**	**2Q17**
Period Ended:	**8/2/14**	**8/1/15**	**7/30/16**	**11/1/14**	**1/31/15**	**5/2/15**	**8/1/15**	**10/31/15**	**1/30/16**	**4/30/16**	**7/30/16**	**10/29/16**	**1/28/17**
Total Revenue	4,839	5,095	4,949	1,186	1,522	1,220	1,167	1,165	1,487	1,169	1,128	1,079	1,396
Merchandise inventories	1,070	1,155	1,125	1,281	1,112	1,173	1,155	1,350	1,166	1,201	1,125	1,325	1,213
Prepaid & other current assets	144	126	147	144	152	143	126	169	168	204	147	162	167
Accounts Payable	375	343	318	373	307	280	343	323	288	265	318	347	384
Accrued liabilities	452	493	493	475	490	457	493	469	526	487	493	485	510
Ratio Analysis													
Inventory as % of Merchandise Sales	22.1%	22.7%	22.7%	108.0%	73.1%	96.1%	99.0%	115.9%	78.4%	102.7%	99.7%	122.8%	86.9%
Payable as % of Inventory	35.0%	29.7%	28.3%	29.1%	27.6%	23.9%	29.7%	23.9%	24.7%	22.1%	28.3%	26.2%	31.7%
Y/Y Change													
Merchandise inventories	5.1%	7.9%	-2.6%	-0.5%	7.0%	11.4%	7.9%	5.4%	4.9%	2.4%	-2.6%	-1.9%	4.0%
Accounts Payable	-2.8%	-8.5%	-7.3%	5.4%	5.1%	6.9%	-8.5%	-13.4%	-6.2%	-5.4%	-7.3%	7.4%	33.3%
Availability													
ABL Usage	0	130	165	230	125	150	130	340	165	265	165	355	170
Borrowing Availability	720	645	645	580	685	660	680	470	645	545	645	455	638
ABL as % of Inventory	0.0%	11.3%	14.7%	18.0%	11.2%	12.8%	11.3%	25.2%	14.2%	22.1%	14.7%	26.8%	14.0%
WC Change	**14**	**58**	**16**	**190**	**(110)**	**112**	**(134)**	**282**	**(207)**	**133**	**(192)**	**194**	**(169)**
Performance Metrics													
Total Merchandise Sales % Change	4.1%	5.3%	-2.9%	5.0%	6.2%	4.7%	4.9%	-1.8%	-2.3%	-4.2%	-3.3%	-7.4%	-6.1%
Same Store Sales % Change	5.4%	3.9%	-4.1%	5.5%	5.6%	2.2%	1.9%	-5.6%	-2.4%	-5.0%	-4.1%	-8.0%	-6.8%
Percent of Sales on-line	24.6%	26.3%	29.0%	22.5%	27.4%	27.1%	28.0%	27.1%	29.6%	29.7%	30.3%	29.2%	31.4%
Gross Profit Margin	32.9%	35.1%	32.9%	38.6%	33.0%	38.1%	31.1%	36.8%	31.0%	36.4%	27.5%	35.1%	29.7%
YoY Change In GPM		2.2%	-2.3%					-1.8%	-2.0%	-1.7%	-3.6%	-1.7%	-1.3%
SG&A $/Gross Profit $	69.2%	65.0%	68.8%	62.4%	64.2%	61.5%	73.6%	66.4%	65.5%	64.6%	82.6%	72.8%	74.4%
Store Count													
Neiman Marcus/Bergdorf Full-line stores	43	43	44	43	43	43	43	43	43	44	44	44	44
Last Call	38	43	42	41	42	42	43	43	42	42	42	42	41

PEER COMPS

COMPS, USD m					
Company	**Enterprise Value**	**LTM EBITDA**	**EBITDA Multiple**	**LTM Revenue**	**Revenue Multiple**
Macy's Inc	14,793	2,904	5.1x	25,778	0.6x
Nordstrom	9,305	1,647	5.6x	14,757	0.6x
J.C. Penney Company Inc	5,817	1,030	5.6x	12,547	0.5x
Dillard's Inc.	2,149	570	3.8x	6,418	0.3x
Peer Average			5.0x		0.5x
Neiman Marcus Group	**3,430**	**488**	**7.0x**	**4,949**	**0.7x**

Sources: SEC Filings, Press Releases, Debtwire Analytics

	EBITDA (USD m)					
Multiple	$438	$463	$488	$513	$538	$563
5.5x	2,409	2,547	2,684	2,822	2,959	3,097
6.0x	2,628	2,778	2,928	3,078	3,228	3,378
6.5x	2,847	3,010	3,172	3,335	3,497	3,660
7.0x	3,066	3,241	3,416	3,591	3,766	3,941
7.5x	3,285	3,473	3,660	3,848	4,035	4,223
8.0x	3,504	3,704	3,904	4,104	4,304	4,504

Secured Debt

ABL	170
Term Loan	2,854
2028 Debentures	122
Less: Cash	(48)
	3,098

$3,098	% Coverage for Secured Debt					
5.5x	78%	82%	87%	91%	96%	100%
6.0x	85%	90%	95%	99%	104%	109%
6.5x	92%	97%	102%	108%	113%	118%
7.0x	99%	105%	110%	116%	122%	127%
7.5x	106%	112%	118%	124%	130%	136%
8.0x	113%	120%	126%	132%	139%	145%

Unsecured Debt

Cash Pay Notes	960
PIK Toggle	600
	1,560
Total Net Debt	4,658

$1,560	Residual Value for Unsecured Debt Holders					
5.5x	-	-	-	-	-	-
6.0x	-	-	-	-	130	280
6.5x	-	-	74	237	399	562
7.0x	-	143	318	493	668	843
7.5x	187	375	562	750	937	1,125
8.0x	406	606	806	1,006	1,206	1,406

	% Coverage for Unsecured Debt Holders					
5.5x	-	-	-	-	-	-
6.0x	-	-	-	-	8%	18%
6.5x	-	-	5%	15%	26%	36%
7.0x	-	9%	20%	32%	43%	54%
7.5x	12%	24%	36%	48%	60%	72%
8.0x	26%	39%	52%	64%	77%	90%

Sources: SEC Filings, Press Releases, Debtwire Analytics

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NEIMAN MARCUS GROUP LTD LLC REPORTS SECOND QUARTER RESULTS

DALLAS, Texas, March 14, 2017 – Neiman Marcus Group LTD LLC today reported financial results for its second fiscal quarter ended January 28, 2017. For the second quarter, the Company reported total revenues of $1.40 billion, representing a decrease of 6.1% compared to total revenues of $1.49 billion for the second quarter of fiscal year 2016. During this same period, comparable revenues decreased 6.8%. Including non-cash impairment charges of $153.8 million described below under “Other Items”, the Company reported a net loss of $117.1 million compared to net earnings of $7.9 million for the second quarter of fiscal year 2016. Adjusted EBITDA, which is described on page 8 of this release, for the second quarter of fiscal year 2017 was $126.8 million compared to $183.0 million in the prior year.

For the 26 weeks ended January 28, 2017, the Company reported total revenues of $2.47 billion, representing a decrease of 6.7% compared to total revenues of $2.65 billion for the same period in the prior year. During this same period, comparable revenues decreased 7.3%. Including non-cash impairment charges of $153.8 million described below under “Other Items”, the Company reported a net loss of $140.6 million for the 26 weeks ended January 28, 2017 compared to a net loss of $2.7 million in the prior year. Adjusted EBITDA for the 26 weeks ended January 28, 2017 was $249.7 million compared to $347.3 million for the same period in the prior year.

MORE

Other Items. The Company recorded non-cash impairment charges of $153.8 million in the second quarter of fiscal year 2017 to state certain intangible and other assets, primarily related to its Neiman Marcus brand, to their estimated fair value.

The Company has made some changes to its corporate structure to enhance its financial flexibility with respect to some of its assets. The Company has designated certain of its subsidiaries as Unrestricted Subsidiaries for purposes of the Cash Pay Notes and PIK Toggle Notes. The designated subsidiaries consist primarily of the entities through which the Company conducts the operations of MyTheresa and through which the Company holds its properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia. These subsidiaries were previously or simultaneously designated as “Unrestricted Subsidiaries” under the Company’s credit facilities.

The Company is undertaking a process to explore and evaluate potential strategic alternatives, which may include the sale of the Company or other assets, or other initiatives to optimize its capital structure, as well as a number of other alternatives. The Company will conduct this evaluation with the assistance of financial advisors. The Company cannot provide assurance that the exploration of strategic alternatives will result in the completion of any transaction or other alternative, or regarding the possible terms or form of any such transaction or alternative. A timetable for the completion of the evaluation process has not been set and the Company does not expect to comment further unless and until a specific transaction is approved by its Board of Directors or the Company otherwise decides further disclosure is appropriate or required.

Conference Call. A live webcast of the earnings conference call can be accessed through the Investor Information section of the Neiman Marcus Group LTD LLC website at www.neimanmarcusgroup.com on Tuesday, March 14, 2017 beginning at 9:00 a.m. Central

Daylight Time. Following the live broadcast, interested parties may replay the webcast by accessing this website. To access financial information that will be presented during the call, please visit the Investor Information section of the Neiman Marcus Group LTD LLC website at www.neimanmarcusgroup.com.

Non-GAAP Financial Measures. In this press release, the Company's financial results are presented both in accordance with U.S. generally accepted accounting principles ("GAAP") and using certain non-GAAP financial measures, including Adjusted EBITDA. This non-GAAP financial measure is included to supplement the Company's financial information presented in accordance with GAAP and because the Company uses such measure to monitor and evaluate the performance of its business and believes the presentation of this measure enhances investors' ability to analyze trends in the Company's business and evaluate the Company's performance relative to other companies in its industry.

For more information regarding the Company's use of non-GAAP financial measures, including the definition of Adjusted EBITDA, and a reconciliation of such financial measures to net loss, a GAAP measure, see "Non-GAAP Financial Measures" on page 8 of this press release.

Forward-Looking Statements. This press release contains forward-looking statements. In many cases, forward-looking statements can generally be identified by the use of forward-looking terminology such as "may," "plan," "predict," "expect," "estimate," "intend," "would," "will," "could," "should," "anticipate," "believe," "project" or "continue" or the negative thereof or other similar expressions. The forward-looking statements contained in this press release reflect the Company's views as of the date of this press release and are based on our expectations and beliefs concerning future events, as well as currently available data as of the date of this press release. While the Company believes there is a reasonable basis for its forward-looking statements, they

involve a number of risks, uncertainties, assumptions and changes in circumstances that may cause the Company's actual results, performance or achievements to differ significantly from those expressed or implied in any forward-looking statement. Therefore, these statements are not guarantees of future events, results, performance or achievements and you should not rely on them. A variety of factors could cause the Company's actual results to differ materially from the anticipated or expected results expressed in the Company's forward-looking statements, including those factors described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and elsewhere in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. You should keep in mind that the forward-looking statements contained in this press release speak only as of the date of this press release. Except to the extent required by law, the Company undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statements to reflect subsequent events, new information or future circumstances.

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	January 28, 2017	January 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,443	$ 56,918
Merchandise inventories	1,213,483	1,165,682
Other current assets	166,875	127,741
Total current assets	1,428,801	1,350,341
Property and equipment, net	1,600,816	1,532,567
Intangible assets, net	3,036,228	3,539,925
Goodwill	2,067,449	2,270,101
Other long-term assets	23,291	18,160
Total assets	$ 8,156,585	$ 8,711,094
LIABILITIES AND MEMBER EQUITY		
Current liabilities:		
Accounts payable	$ 384,148	$ 287,463
Accrued liabilities	509,629	526,312
Current portion of long-term debt	29,426	29,426
Total current liabilities	923,203	843,201
Long-term liabilities:		
Asset-based revolving credit facility	170,000	165,000
Long-term debt	4,415,911	4,422,652
Deferred income taxes	1,211,788	1,405,824
Other long-term liabilities	625,872	466,509
Total long-term liabilities	6,423,571	6,459,985
Total member equity	809,811	1,407,908
Total liabilities and member equity	$ 8,156,585	$ 8,711,094

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	January 28, 2017	January 30, 2016	January 28, 2017	January 30, 2016
Revenues	$ 1,395,576	$ 1,486,957	$ 2,474,683	$ 2,651,857
Cost of goods sold including buying and occupancy costs	982,465	1,026,292	1,682,360	1,762,366
Selling, general and administrative expenses	307,718	302,654	584,314	587,996
Income from credit card program	(16,750)	(16,337)	(30,418)	(29,624)
Depreciation expense	57,213	53,651	114,097	109,541
Amortization of intangible assets	12,881	14,095	26,504	29,448
Amortization of favorable lease commitments	13,443	13,537	27,097	27,149
Other expenses	5,211	8,048	12,029	25,146
Impairment charges	153,772	-	153,772	-
Operating earnings (loss)	(120,377)	85,017	(95,072)	139,835
Interest expense, net	74,197	71,495	146,280	143,180
Earnings (loss) before income taxes	(194,574)	13,522	(241,352)	(3,345)
Income tax expense (benefit)	(77,505)	5,638	(100,770)	(691)
Net earnings (loss)	$ (117,069)	$ 7,884	$ (140,582)	$ (2,654)

NEIMAN MARCUS GROUP LTD LLC
OTHER OPERATING DATA
(UNAUDITED)

OTHER DATA:

(in millions)	Thirteen weeks ended January 28, 2017	Thirteen weeks ended January 30, 2016	Twenty-six weeks ended January 28, 2017	Twenty-six weeks ended January 30, 2016
Capital expenditures	$ 48.5	$ 78.8	$ 114.0	$ 153.8
Rent expense	$ 29.1	$ 30.5	$ 56.1	$ 58.9
Adjusted EBITDA	$ 126.8	$ 183.0	$ 249.7	$ 347.3

NEIMAN MARCUS GROUP LTD LLC
NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

To supplement the Company's financial information presented in accordance with GAAP, it uses Adjusted EBITDA to monitor and evaluate the performance of its business and believes the presentation of this measure enhances investors' ability to analyze trends in its business and evaluate its performance relative to other companies in its industry. The Company defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not believe are representative of the Company's ongoing performance. This financial metric is not a presentation made in accordance with GAAP.

Adjusted EBITDA should not be considered as an alternative to operating earnings (loss) or net earnings (loss) as a measure of operating performance. In addition, Adjusted EBITDA is not presented as and should not be considered as an alternative to cash flows as a measure of liquidity. Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under GAAP.

These limitations include the fact that Adjusted EBITDA: (i) excludes certain tax payments that may represent a reduction in cash available to the Company; (ii) excludes certain adjustments for purchase accounting; (iii) does not reflect changes in, or cash requirements for, the Company's working capital needs, capital expenditures or contractual commitments; (iv) does not reflect the Company's significant interest expense; and (v) does not reflect the cash requirements necessary to service interest or principal payments on the Company's debt. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements. In addition, other companies in the Company's industry may calculate Adjusted EBITDA differently than it does, limiting its usefulness as a comparative measure.

The following table reconciles net earnings (loss) as reflected in the Company's consolidated statements of operations prepared in accordance with GAAP to Adjusted EBITDA (figures may not sum due to rounding):

	Thirteen weeks ended		Twenty-six weeks ended	
(dollars in millions)	January 28, 2017	January 30, 2016	January 28, 2017	January 30, 2016
Net earnings (loss)	$ (117.1)	$ 7.9	$ (140.6)	$ (2.7)
Income tax expense (benefit)	(77.5)	5.6	(100.8)	(0.7)
Interest expense, net	74.2	71.5	146.3	143.2
Depreciation expense	57.2	53.7	114.1	109.5
Amortization of intangible assets and favorable lease commitments	26.3	27.6	53.6	56.6
EBITDA	$ (36.8)	$ 166.3	$ 72.6	$ 306.0
Impairment charges	153.8	-	153.8	-
Incremental rent expense related to purchase accounting adjustments	2.5	2.6	5.0	5.3
Non-cash stock-based compensation expense	(0.9)	1.9	0.5	3.9
Expenses incurred in connection with openings of new stores / remodels of existing stores	3.0	4.1	5.7	6.9
Expenses incurred in connection with strategic growth initiatives	1.9	3.9	8.5	18.3
MyTheresa acquisition costs	1.3	1.8	0.7	4.3
Other expenses	2.0	2.4	2.8	2.6
Adjusted EBITDA	$ 126.8	$ 183.0	$ 249.7	$ 347.3

Excluded from the calculation of Adjusted EBITDA are the estimated impacts from the launch of the Company's new NMG One integrated merchandising and distribution system in the first quarter of fiscal year 2017. The Company has

experienced and continues to experience issues with respect to the functionality and capabilities of certain portions of the new system. These issues primarily relate to the processing of inventory receipts at the Company's distribution centers, the timely payment of certain merchandise receipts, the transfer of inventories to the Company's stores and the presentation of inventories on the Company's websites. These issues have prevented the Company from fulfilling certain customer demand in both its stores and websites. As a result of these implementation issues, the Company believes its revenues have been adversely impacted, incremental markdowns have been incurred, higher provisions for estimated inventory shrinkage have been required, additional incremental costs, primarily for consulting services have been incurred, and significant internal resources have been allocated to address these issues.

Based on available data, the Company estimates that these issues resulted in unrealized revenues of approximately $25 to $30 million in the second quarter of fiscal year 2017 and $55 to $65 million during year-to-date fiscal 2017. However, the Company believes the full impact of the NMG One implementation issues on its revenues is likely greater because there are a number of ways in which the Company's business has been disrupted that it cannot directly track or measure.

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U.S. LEGAL NEWS MARCH 17, 2017 / 4:43 PM / 2 YEARS AGO

Neiman Marcus bondholders left guessing

6 MIN READ

* Bonds

* Distressed exchanges, PIK threaten unsecured creditors

By Davide Scigliuzzo

NEW YORK, March 17 (IFR) - Troubled retailer Neiman Marcus is considering an outright sale of the company, but that would be likely to prove extremely costly unless bond or equity holders take steep losses.

EXHIBIT 3

Two months after abandoning an IPO, the luxury chain revealed dismal results and said it was exploring options, including a sale or an overhaul of its capital structure.

The bleak outlook initially sent the company's 8% and 8.75% bonds plummeting to record lows of 53 and 49 cents on Tuesday.

But they later rallied on a Wall Street Journal report that Hudson's Bay, the owner of Neiman rival Saks Fifth Avenue, was in talks to buy the business.

By Thursday, the bonds were back at 59.5 and 55.125.

But that rebound was puzzling to some, who said that the company's fundamentals remain poor and that it is still groaning under a debt load, including loans, of US$4.7bn.

"If I were interested in the assets, I would wait for results to deteriorate further, let the company work out some liability management ... and then come in and buy some pieces," Jenna Giannelli, an analyst at Citigroup, told IFR.

Some analysts said that if debt and equity holders took no losses at all, an acquirer would pay more than US$6bn for the whole company, for an eye-popping valuation of 12 to 14 times Ebitda.

That would be well above the 9.7 times multiple paid by TPG and Warburg Pincus when they took Neiman private in 2005, and the 8.9 times multiple paid by Ares Management and Canada Pension Plan Investment Board in the company's second buyout in 2013, according to Giannelli's calculations.

Even a significant haircut on the bonds - as much as 60%, which is well below current trading levels - would still mean a huge multiple of just below 12 times, Giannelli said.

At that level, the company's term loan holders - or its private equity sponsors - might also have to share some of the pain to make a purchase feasible, she said.

"Neiman is still a tough story," said Duncan Vise, an analyst at Invesco. "It is difficult to understand how a transaction could be structured."

OTHER OPTIONS

Acquiring a stake of less than 50% in Neiman, purchasing individual assets or even setting up a joint venture for some of the retailer's businesses might be more realistic, JP Morgan analyst Carla Casella wrote in a note.

Structuring a deal that would avoid a full redemption of the roughly US$1.56bn of outstanding bonds would also seem to be essential.

The bonds, sold in 2013 to help finance the last buyout, include change of control language requiring any buyer to purchase the entire business, or substantially all of its assets, to redeem the bonds at 101 - a huge premium to current levels.

According to independent research firm Covenant Review, however, any acquirer - as long as no person or group owns more than 50% of its voting stock - could take over Neiman without triggering the CoC.

And Hudson's Bay fits that bill, it said.

But a sale without a haircut on the debt would be a leap - particularly as Neiman is nearly 10 times leveraged - and some analysts believe a distressed exchange is all but inevitable.

Indeed, some of Neiman's recent actions point to that happening.

When its quarterly results were announced on Tuesday, Neiman said it had moved its online mytheresa.com business, two stores and one distribution centre to an unrestricted subsidiary.

Anticipating high tariffs, retailers hoard products

A full exchange of the bonds into new secured notes issued by that subsidiary - whose assets Giannelli values at around US$500m - could leave bondholders with recoveries in the mid-30s.

That would be way below the bonds' current prices.

But to sweeten any potential offer, Neiman could issue more notes through its main corporate entity - where it has capacity to raise an additional US$1.4bn of secured debt - or add proceeds from asset sales.

LET'S PIK

Investors waiting for an entry point in Neiman's capital structure are now trying to work out the bonds' valuations.

“It is very hard to determine how much the bonds are worth,” said Mike Terwilliger, a portfolio manager at Resource America.

“There are a lot of levers the company can use to try to extract value from bondholders, such as a distressed exchange under the threat of a bankruptcy.”

Neiman could defer coupon payments on its existing payment-in-kind 8.75% bonds by adding a slightly higher interest payment to the principal, rather than paying cash now - a move that would be likely to cause those notes to trade down and allow the company to offer a lower price in the exchange.

“PIK bondholders may [have a bigger incentive] to participate in a bond exchange if they are receiving PIK rather than cash interest payments,” analysts at Goldman Sachs wrote in a recent note.

That would not be uncharted territory for Neiman. In 2009, the company elected to pay its bonds in kind for three quarters after facing a 30% decline in same-store sales.

But there are only three more coupon payments for which Neiman has this option - October 2017, April 2018 and October 2018. It must decide by April 15 if it wants to exercise the option in October.

Neiman Marcus

Neiman's Designation of Unrestricted Subsidiaries Raises Issues Around Credit Support, Strategic Options; Valuation May Determine Additional Capacity

Fri 03/17/2017 17:32 PM

Relevant Item:
Neiman Marcus Debt Documents

As reported, earlier this week Neiman Marcus announced that it has designated certain of its subsidiaries as Unrestricted Subsidiaries for purposes of the 2021 cash pay and PIK toggle notes, and it noted that it had "previously or simultaneously" designated such subsidiaries as Unrestricted Subsidiaries" under the company's credit facilities. According to the company, the "designated subsidiaries consist primarily of the entities through which the Company conducts the operations of MyTheresa and through which the company holds its properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia."

On Feb. 15, we noted that Neiman likely had significant Investments capacity that could allow it to designate subsidiaries as Unrestricted Subsidiaries, just as retailers J.Crew and Claire's have done recently. Unrestricted Subsidiaries are generally not obligated to comply with certain restrictive covenants and can therefore potentially provide Neiman with flexibility to enter into transactions that may have otherwise been prohibited under its debt documents. Claire's, for example, offered debt raised by its newly formed unrestricted subsidiary in an exchange for certain of its other debt, and market participants speculate that J.Crew may do the same. Incidentally, it is not yet clear whether J.Crew's recent transfers of intellectual property to unrestricted subsidiaries was permitted under its debt documents, an issue that is being litigated. As we have discussed, J.Crew's lenders may argue that J.Crew's transfers to unrestricted subsidiaries violated the Investments covenant under its credit agreement and may raise issues regarding valuation of the transferred assets.

In this piece, we discuss (1) the potential impact on credit support for Neiman's debtholders as a result of the recent designation of Unrestricted Subsidiaries, (2) how Nieman may have used its Investments capacity to designate subsidiaries as Unrestricted Subsidiaries, including a discussion about the value of the assets designated, and (3) what may have motivated the company to make these designations before its disclosure of its financial statements for the period ending Jan. 28. Such analysis may also be relevant to recent acquisition rumors, as discussed in a recent Reorg Covenant's presentation.

For reference, illustrated below is Neiman's capital structure.

EXHIBIT 4

Neiman Marcus Capitalization				
($ millions)	**1/28/2017**	**Rate**	**Maturity**	**Price[2]**
The Neiman Marcus Group LLC				
NMG 1st Lien Debentures	125.0	7.125%	06/01/28	79.5
Total NMG Debt	125.0			
Neiman Marcus Group LTD LLC				
$900M 1st Lien ABL Revolver[1]	170.0	L + 175	10/25/21	N/A
$2.95B 1st Lien Term Loan	2,854.3	L + 325	10/25/20	77.5/78.5
Total Secured Company Debt	3,024.3			
8.0% Cash Pay Notes	960.0	8.00%	10/15/21	59.75
8.75%/9.50% PIK Toggle Notes	600.0	8.75%/9.50%	10/15/21	55.75
Total Company Debt	4,584.3			
Total Debt	**4,709.3**			
Liquidity				
Availability under revolver	638.3			
Cash	48.4			
Total Liquidity	**686.7**			

1. The ABL with mature 7/25/20 in the event that the term loan is not repaid or extended to mature on 10/25/21 or later, prior to 7/25/20.
2. Term Loan pricing as of March 14 from dealer runs. Bond pricing from TRACE as of March 16.

Covenant Conclusions

- Under the Term Loan, it is likely that assets transferred to the Unrestricted Subsidiaries should be valued at their "original fair market value without taking into account any subsequent increases or decreases in value."

- Under the 2021 Notes, the assets should likely be valued at either (1) fair-market value as of the original cost of the assets or (2) fair-market value at the time the assets were transferred to Unrestricted Subsidiaries, in each case as determined by the company in good faith.

- For purposes of analyzing Investments capacity, we assume the properties transferred should be valued at about $98 million, making the total amount of assets transferred about $334 million. Intercompany debt owed from non-guarantor subsidiaries back to the restricted subsidiaries may complicate the analysis of how to value MyTheresa.

- Under the Term Loan, before the transactions with the Unrestricted Subsidiaries, capacity for Investments in Unrestricted Subsidiaries may have totaled $250 million plus the Available Amount. While the remaining value of the Available Amount under the Term Loan is not clear from public information, it is defined as $200 million plus certain percentages of excess cash flow since October 2013 and proceeds from certain transactions.

- Without satisfying the 2x Interest Coverage Ratio, the company's capacity to make Investments in Unrestricted Subsidiaries under the 2021 Notes may have been limited to $250 million. If, however, the company did satisfy the 2x Interest Coverage Ratio, its capacity for such Investments may have been $450 million (plus certain additional amounts based on Consolidated Net Income and proceeds from transactions).

- The company may therefore have transferred the assets to the Unrestricted Subsidiaries on March 10 before it filed its latest financial statements so as to remain under the 2x Interest Coverage Ratio and giving it access to the $200 million of additional Investments capacity under the 2021 Notes.

- The company's capacity to make payments to its equityholders was likely reduced as a result of

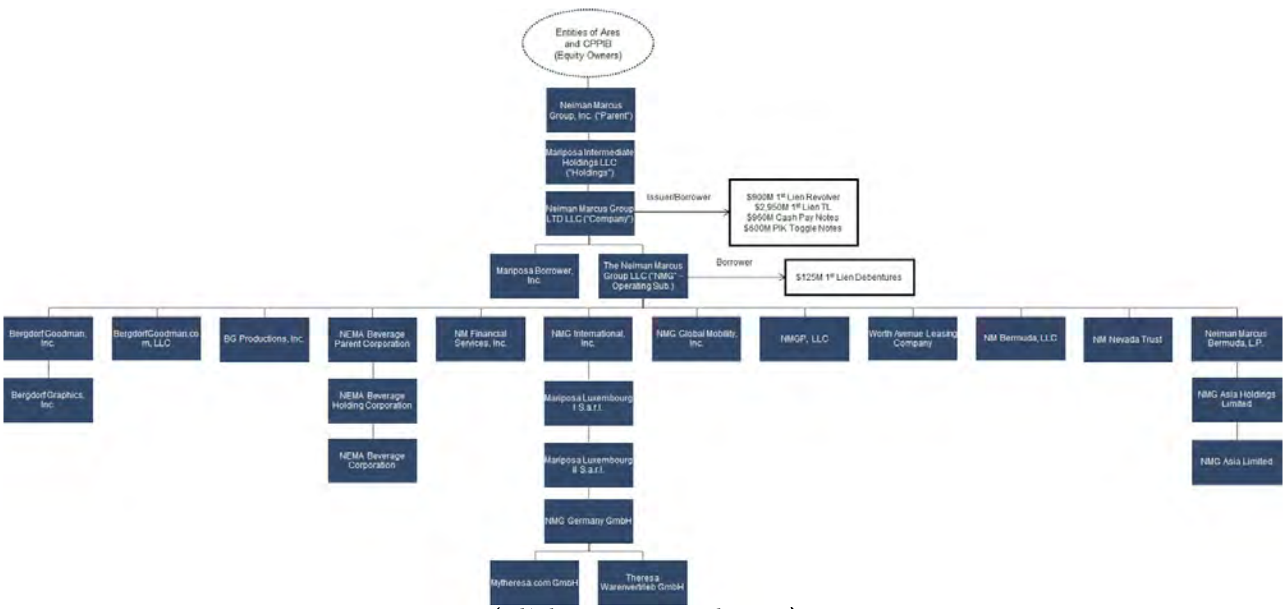
the Investments in Unrestricted Subsidiaries, but it is possible that the company continues to have about $100 million of restricted payments capacity assuming $334 million of assets were transferred to Unrestricted Subsidiaries.

- Because MyTheresa was likely a foreign subsidiary whose equity was held by a holding company, before it was designated as an Unrestricted Subsidiary it was likely a non-guarantor whose equity interests had not been pledged to the bank debt and the 2028 Notes.

- Based on the company's public disclosures, it is likely that the transferred properties are no longer mortgaged to secure the bank debt or the 2028 Notes.

Impact of Designation of Unrestricted Subsidiaries on Credit Support

We discussed Neiman's debt structure in detail previously, and Reorg recently published an updated tear sheet on the company. Illustrated below is a simplified version of the company's organizational structure.



(Click HERE to enlarge.)

To summarize, the company's outstanding debt includes the following:

- an Asset-Based Revolving Credit Facility (the "Revolver");

- a Senior Secured Term Loan Facility (the "Term Loan");

- $125 million of 7.125% Senior Debentures due 2028 (the "2028 Notes");

- $960 million aggregate principal amount of 8% Senior Cash Pay Notes due 2021 (the "2021 Cash Pay Notes"); and

- $600 million aggregate principal amount of 8.75%/9.5% Senior PIK Toggle Notes due 2021 (the "2021 PIK Notes," and together with the 2021 Cash Pay Notes, the "2021 Notes").

Regarding the company's collateral and guarantee packages:

- According to a prospectus for the 2028 Notes, before the company incurred the Term Loan and the Revolver (collectively, the "Bank Debt"), the 2028 Notes were unsecured; however, upon the incurrence of the Bank Debt, the 2028 Notes were equally and ratably secured by the same Principal Properties (as defined and discussed in a previous piece) and equity interests in subsidiaries securing the Bank Debt.

- In its most recent 10-K, the company disclosed that the Bank Debt is secured "subject to certain significant exceptions, by substantially all of the assets of" the company and the subsidiary guarantors. Although the company's public disclosures are not clear regarding the extent of the secured debtholders' collateral packages, as we discussed in more detail previously, the disclosures suggest that certain of Neiman's properties are not mortgaged for the benefit of the secured debtholders.

- Regarding the pledge of equity interests, the company hasdisclosed that the Term Loan (and therefore, likely the 2028 Notes) is secured by "a first-priority pledge of 100% of the Company's capital stock and certain of the capital stock held by the Company, Holdings or any subsidiary guarantor (which pledge, in the case of any foreign subsidiary is limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such foreign subsidiary)."

- According to the company's mostrecent 10-K, the Revolver, the Term Loan and the 2021 Notes are guaranteed by certain of the company's subsidiaries, subject to certain exceptions, including ones for unrestricted subsidiaries, foreign subsidiaries and holding companies of foreign subsidiaries. Meanwhile, the 2028 Notes, although structurally senior to the bank debt and the 2021 Notes (as a result of being issued by the operating company), are not guaranteed by any subsidiaries and have a guarantee only from Neiman Marcus Group Ltd. llc, according to the company's latest 10-K.

As mentioned above, the company has disclosed that the subsidiaries designated as Unrestricted Subsidiaries consist of entities (1) "through which the Company conducts operations of MyTheresa" and (2) "through which the company holds its properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia."

According to the company's latest 10-K, MyTheresa is a subsidiary organized in Germany.**Because MyTheresa was likely a foreign subsidiary, it was likely a non-guarantor before it was designated as an Unrestricted Subsidiary.** That MyTheresa was a non-guarantor before it was designated as an Unrestricted Subsidiary may be supported by the company's disclosure in its latest 10-Q that "the financial results as of and for the twenty-six weeks ended January 28, 2017 of the MyTheresa entities that have been designated as 'Unrestricted Subsidiaries' are substantially the same as the financial information presented for 'Non-Guarantor Subsidiaries.'" **Additionally, because the equity in MyTheresa is held by a holding company (which itself is not a guarantor, according to the 10-K, as summarized above), it is likely that the equity interests in the MyTheresa entities were not pledged to the secured debtholders before their designation as Unrestricted Subsidiaries.**

Meanwhile, with respect to the Unrestricted Subsidiary through which the company holds its properties located in San Antonio, Texas, Longview, Texas, and McLean, Va., the company has disclosed that "the book value of the assets related to [these properties] was approximately $98 million (which correspondingly reduces the total assets of the Company and its restricted subsidiaries)." **The company's latest 10-K suggests that before the transfer to the Unrestricted Subsidiary, the properties in San Antonio and McLean were mortgaged to secure the Bank Debt and the 2028 Notes.** The property at Longview is a distribution facility, and it is not clear based on publicly available information whether that property was mortgaged.

Because the company has not filed the collateral agreements, it is not clear whether the transfer of the properties to the Unrestricted Subsidiary removed the properties from the secured debtholders' collateral package. **However, because the 10-K states that the Bank Debt and 2028 Notes are secured by assets of guarantor subsidiaries and because unrestricted subsidiaries are not guarantors, it is likely that the transferred properties are no longer mortgaged to secure the Bank Debt or the 2028 Notes.**

Additionally, there may be value leakage from the company and the restricted subsidiaries as a result of the lease payments to the Unrestricted Subsidiary that now holds the properties. The company reported that "subsequent to March 10, 2017, the revenues and net earnings associated with [the Unrestricted Subsidiary] will be primarily comprised of lease payments of approximately $5 million per year that will be made by the Company or one of its restricted subsidiaries to such

Unrestricted Subsidiary (and therefore will result in a corresponding increase in rent expense for the Company and its restricted subsidiaries) pursuant to a lease agreement between such Unrestricted Subsidiary and the Company."

Designating an Unrestricted Subsidiary Under the Debt Documents

Under the Term Loan, Revolver, 2021 Cash Pay Notes and 2021 PIK Notes, the designation of a restricted subsidiary as an Unrestricted Subsidiary constitutes an "Investment" requiring capacity to make Investments under each respective debt document. We discuss what capacity is needed in more detail below but first note that additional requirements that must be met – and were likely satisfied – under the Term Loan and the Revolver for the company to designate a subsidiary as an Unrestricted Subsidiary.

The Term Loan credit agreement requires that the company be able to satisfy a 1x Fixed Charge Coverage Ratio before designating a subsidiary as an Unrestricted Subsidiary. As discussed in more detail below, the company could likely satisfy that ratio.

Meanwhile, the Revolver credit agreement requires that the company be able to satisfy the "Payment Conditions" before designating a subsidiary as an Unrestricted Subsidiary – which it likely could have. As we have discussed previously, the Payment Conditions require (1) that availability under the Revolver exceeds the greater of (a) 15% of the Line Cap (the lesser of the revolving commitments and the borrowing base) and (b) $90 million and also that (2) the Fixed Charge Coverage Ratio is at least 1x (although this second requirement is not necessary if availability under the Revolver exceeds the greater of 25% of the Line Cap and $200 million). As illustrated below, we estimate that the Payment Conditions were satisfied as of Oct. 29, 2016. Given reported availability under the Revolver of about $680 million as of Jan. 28, we assume that the conditions were satisfied as of that date too.

Payment Conditions	
	10/29/2016
FCCR Requirement	
Aggregate Revolving Commitments	$900.0
Current Borrowing Base	810.0
Lesser of Commitments and BB (Line Cap)	810.0
25% of Line Cap	202.5
Lesser of 25% of Line Cap and $200M	200.0
Excess Availability	455.0
1.0x FCCR Required?	**No**
Payment Condition	
Aggregate Revolving Commitments	$900.0
Current Borrowing Base	810.0
Lesser of Commitments and BB (Line Cap)	810.0
15% of Line Cap	121.5
Greater of 15% of Line Cap and $90M	121.5
Excess Availability	455.0
Payment Condition Satisfied?	**Yes**

In summary, the company could likely satisfy the additional requirements under the Term Loan and the Revolver needed to designate a subsidiary as an Unrestricted Subsidiary.

Valuation of Investments Under the Debt Documents

As mentioned above, under the Term Loan, the Revolver, the 2021 Cash Pay Notes and the 2021 PIK Notes, the designation of a restricted subsidiary as an Unrestricted Subsidiary constitutes an "Investment" requiring capacity to make Investments under each respective debt document. The 2028 Notes do not include provisions regarding the designation of unrestricted subsidiaries nor do those notes include a covenant restricting investments.

How to Value Investments Under the Term Loan and the Revolver

While the Term Loan and the Revolver require Investments capacity to designate a Restricted Subsidiary as an Unrestricted Subsidiary, neither the definition of Investments nor the Investments covenant under the respective credit agreements explicitly offers guidance as to how one is to calculate the amounts attributable to Investments. It is therefore not clear how under the Term Loan and the Revolver one is to value the MyTheresa subsidiaries that were designated as Unrestricted Subsidiaries or the properties that were transferred to the Unrestricted Subsidiary.

However, as discussed in more detail below, the baskets under the Investments covenant under the Term Loan that provide the company with a substantial amount of its Investments capacity that it may have had to rely on in connection with the Unrestricted Subsidiary designations require that Investments be valued at "original fair market value without taking into account any subsequent increases or decreases in value."

Interpretative provisions in section 1.03 of each credit agreement may offer guidance. Each of those provisions provides that:

> "Except as otherwise expressly provided herein, all terms of an accounting or financial nature will be construed in accordance with GAAP."

While this provision does not expressly relate to Investments, it does refer to "terms of an accounting or financial nature," which could arguably mean that certain calculations related to Investments capacity (for the example, the "Available Amount") should be calculated in accordance with GAAP. We previously discussed how similar interpretative provisions may provide arguments for the lenders in the context of J.Crew's recent transfer of assets to unrestricted subsidiaries.

In summary, under the Term Loan, while the definition of Investments does not provide guidance as to how to value Investments, given language in the significant Investments baskets, it is likely that contributions to the Unrestricted Subsidiaries were valued at "original fair market value without taking into account any subsequent increases or decreases in value." GAAP rules may inform how to determine such "original fair market value."

How to Value Investments Under the 2021 Notes

In contrast to the Term Loan and the Revolver, the definition of "Investments" under the 2021 Notes does expressly provide guidance as to how to value the designation of a subsidiary as an Unrestricted Subsidiary and the transfer of assets to an Unrestricted Subsidiary. As discussed below, while reconciling the somewhat conflicting provisions on how to value Investments is complicated, it is likely that the 2021 Notes required the assets to be valued at either (1) fair-market value as of the original cost of the Investment or (2) fair-market value at the time the assets were transferred to Unrestricted Subsidiaries, in each case as determined by the company in good faith.

The indentures for the 2021 Notes include identical language under the definition of "Investments" that provides that:

> "'Investments' will include the portion (proportionate to the [company]'s equity interest in such Subsidiary) of the Fair Market Value of the net assets of a Subsidiary of the [company] at the time that such Subsidiary is designated an Unrestricted Subsidiary."

The definition of "Investments" in both indentures for the 2021 Notes also provides that:

> "any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer."

While the language quoted above is relatively straightforward, a separate sentence in the definition of "Investments" is somewhat difficult to reconcile with the language quoted above. The last sentence of the definition of "Investments" provides that:

> "The amount of any Investment outstanding at any time (including for purposes of calculating the amount of any Investment outstanding at any time under [the Investments covenant for any purposes] will be the original cost of such Investment (determined, in the case of any Investment made with assets of the [company] or any Restricted Subsidiary, based on the Fair Market Value of the assets invested), reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the [company] or a Restricted Subsidiary in respect of such Investment, and in the case of an Investment in any Person, will be net of any Investment by such Person in the [company] or any Restricted Subsidiary."

It is not clear how to reconcile these different provisions within the definition of Investments. For example, certain language quoted above from the definition of "Investments" provides that any property transferred to an Unrestricted Subsidiary should be valued at Fair Market Value, while the last sentence of the definition of Investments says that for "any purposes of calculating any Investment under [the Investments covenant]" the Investment should be valued at "the original cost of such Investment (determined ... based on the Fair Market Value)." Also, certain language in the definition requires valuation "at the time the Subsidiary is designated an Unrestricted Subsidiary," which seems to conflict with the language stating that valuation should be "at the original cost of the Investment."

Furthermore, it is not clear how one is to determine the value of "net assets" - a term used above. For example, according to the company's most recent 10-Q, non-Guarantor subsidiaries have $199.5 million in obligations under an intercompany note back to the restricted subsidiaries, and it is not clear whether that obligation should offset the valuation of its assets. The company's 10-Q further notes that "[t]he financial results as of and for the twenty-six weeks ended January 28, 2017 of the MyTheresa entities that have been designated as 'Unrestricted Subsidiaries' are substantially the same as the financial information presented for 'Non-Guarantor Subsidiaries' in Note 15 of the Notes to Condensed Consolidated Financial Statements." As such, it is fair to assume that this $199.5 million obligation is a liability of the MyTheresa entities that are now Unrestricted Subsidiaries.

Nevertheless, as discussed below, one Investments basket under the 2021 Notes that provides capacity for $150 million of Investments requires that "the aggregate Fair Market Value" of the Investments made in reliance on the basket be "valued at their original Fair Market Value and without taking into account subsequent increases or decreases in value." **Accordingly, if the company wished to rely on that $150 million basket, it would have to value the Investment at its "original Fair Market Value."**

"Fair Market Value" is in turn defined as:

> "with respect to any asset or property, the price that could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction **(as determined in good faith by the senior management or the Board of Directors of the [company], whose determination will be conclusive for all purposes under this Indenture and the Notes)**" (emphasis added).

This definition of "Fair Market Value" arguably gives the company broad authority to determine how to value the Investments in the Unrestricted Subsidiaries, though the price of the assets when they were purchased would likely inform their Fair Market Value.

In summary, it is likely that the 2021 Notes required the assets to be valued at either (1) fair-market value as of the original cost of the assets or (2) fair-market value at the time the assets were transferred to Unrestricted Subsidiaries, in each case as determined by the company in good faith.

<u>**Valuing MyTheresa and the Transferred Properties**</u>

MyTheresa

In its most recent 10-Q, the company disclosed that it purchased MyTheresa in October 2014 at a purchase price that "net of cash acquired, was $181.7 million ... financed through a combination of cash and debt." The filing states that the MyTheresa purchase agreement "contains contingent earn-out payments to the sellers aggregating up to €55.0 million based on operating performance for calendar years 2015 and 2016." The company states that it paid $29.8 million, or €26.5 million, to the sellers as a result of MyTheresa's operating performance for calendar year 2015. In addition, the estimated fair value of the remaining earn-out obligation is stated to be $24.5 million, or €23.2 million, at Jan. 28, 2017.

The "original Fair Market Value" of MyTheresa for purposes of Investments capacity may have been the $181.7 million purchase price. However, such amount may arguably be required to be adjusted upward to account for the $54.3 million in value attributable to the earn-out, resulting in a total value of $236 million. As shown below, based on an estimated $14.9 million in LTM EBITDA of the Non-Guarantor entities, an $181.7 million purchase price implies an EV/EBITDA multiple of approximately 12.2x while a $236 million valuation implies an EV/EBITDA multiple of approximately 15.8x.

	Q1 2017	Q2 2017	FY 2015	FY 2016	Est. LTM[1]
	10/29/16	1/28/17	8/1/15	7/30/16	1/28/17
($ thousands)					
Non-Guarantor Financials					
Revenues	57,438.0	62,957.0	122,674.0	201,806.0	221,298.0
COGs	38,248.0	38,233.0	85,237.0	129,515.0	141,238.5
SG&A	16,900.0	17,066.0	38,546.0	58,808.0	63,370.0
Income from credit card program	-	-	-	-	-
Depreciation expense	278.0	293.0	680.0	999.0	1,070.5
Amortization	1,158.0	1,117.0	4,162.0	4,859.0	4,704.5
Other expenses (income)	(1,305.0)	647.0	7,593.0	4,844.0	1,764.0
Impairment charges			-	-	-
Operating earnings	2,159.0	5,601.0	(13,544.0)	2,781.0	9,150.5
Interest Expense	1,428.0	1,664.0	2,147.0	8,295.0	7,239.5
					0
Estimated EBITDA	3,595.0	7,011.0	(8,702.0)	8,639.0	14,925.5
Estimated myTheresa Valuation					181,700.0
Implied EV/EBITDA Multiple					12.2x
Estimated myTheresa Valuation including Earn Out					236,000.0
Implied EV/EBITDA Multiple					15.8x

1. Neiman's financials do not break out results for the non-guarantor entities for the third and fourth quarter of fiscal 2016. As such, we estimate LTM amounts based on the most recent two quarters of financials as well as 50% of the company's disclosed fiscal 2016 results for the non-guarantor entities.

The Properties

It is difficult to estimate on the basis of publicly available information the original fair-market value of the properties transferred to the new Unrestricted Subsidiary:

- With respect to the property at San Antonio, Texas, the10-K for fiscal year ending July 29, 2006, states that the company incurred $167.2 million of capital expenditures in total that year but that was in connection with "the construction of new stores in San Antonio, Boca Raton, Charlotte and Austin" and remodels of a number of its other stores. Thus to the extent it is relevant under the Investments covenant, how much the company spent to build the San Antonio location seems to be less than $167.2 million but otherwise not clear based on public filings.

- Publicly available information does not seem to allow us to determine when the distribution

facility in Longview, Texas, was constructed or how it may have been originally valued.

- The property in McLean, Va., began operations in 1990, and it is not clear from public filings what the original purchase or construction price may have been.

The company discloses that the book value of the assets related to the properties was **approximately $98 million** and that there were no liabilities related to the properties. In addition, the company discloses that the Unrestricted Subsidiary into which the properties were moved entered into a lease agreement under which the company, or a restricted subsidiary, will make lease payments of $5 million per year. **For purposes of analyzing Investments capacity, we assume the properties were valued at $98 million.**

In total, using $236 million as the value for MyTheresa and $98 million for the properties, we assume that about $334 million of assets were transferred to Unrestricted Subsidiaries.

Investments Capacity Under the Debt Documents

Notable exceptions under the Investments covenants that could be used in connection with the designation of and transfers to the Unrestricted Subsidiaries are summarized in the following chart. As mentioned above, despite being issued under separate indentures, the 2021 Notes include substantially similar Investments covenants and are accordingly grouped together.

Neiman Marcus – Investments Capacity	
Term Loan Credit Agreement	• Investments not to exceed the Available Amount ($200 million plus certain excess cash flow since Oct. 25, 2013 plus proceeds from certain transactions) • Investments in Foreign Subsidiaries. The "aggregate fair market value of all such Investments . . . (with all such Investments being valued at their original fair market value and without taking into account subsequent increases or decreases in value" may not exceed the greater of $100 million and 1.15% of Consolidated Total Assets (plus any returns of capital in respect of such Investment) • Investments "the aggregate fair market value . . . (with all such Investments being valued at their original fair market value and without taking into account subsequent increases or decreases in value)" of which cannot exceed the greater of $150 million and 1.75% of Consolidated Total Assets (shared with a $100 restricted payments basket)
ABL Credit Agreement	• Investments in Foreign Subsidiaries. The "aggregate fair market value of all such Investments . . . (with all such Investments being valued at their original fair market value and without taking into account subsequent increases or decreases in value" may not exceed the greater of $100 million and 1.15% of Consolidated Total Assets • Investments "the aggregate fair market value . . . (with all such Investments being valued at their original fair market value and without taking into account subsequent increases or decreases in value)" of which cannot exceed $75 million. • Any Investments so long as the Payment Conditions are satisfied
2021 Notes	• Investments "the aggregate Fair Market Value . . . (with all such Investments being valued at their original Fair Market Value and without taking into account subsequent increases or decreases in value)" of which cannot exceed the greater of $150 million and 1.75% of Consolidated Total Assets • Subject to 2x Interest Coverage Ratio, Investments up to $200 million plus 50% of Consolidated Net Income since Aug. 4, 2013 and proceeds from certain transactions (shared with other restricted payments) • Subject to 3.5x Total Net Leverage Ratio, any additional Investments (shared with other restricted payments) • Investments not to exceed the greater of $100 million and 1.15% of Consolidated Total Assets (shared with other restricted payments)

"Consolidated Total Assets" is defined under the company's debt documents as total assets of the company and its restricted subsidiaries as reflected on the company's most recent month-end financial statements. Because the company has disclosed that the designation of and transfers to the Unrestricted Subsidiaries under the 2021 Notes occurred on March 10 and that they occurred "simultaneously or previously" under the Term Loan and the Revolver, it is likely the 10-Q for the period ending Oct. 29 that is relevant for determining Consolidated Total Assets. As illustrated below, the company's Consolidated Total Assets values did not yield Investments capacity that exceeded the fixed-dollar amounts summarized in the chart above.

Consolidated Total Assets	
	10/29/2016
Consolidated Total Assets	$8,466.4
0.5% Consolidated Total Assets	**$42.3**
1.15% Consolidated Total Assets	**$97.4**
1.75% Consolidated Total Assets	**$148.2**

Term Loan

Under the Term Loan, before the transactions with the Unrestricted Subsidiaries, capacity for Investments in Unrestricted Subsidiaries may have totaled $250 million plus the Available Amount. While the remaining value of the Available Amount under the Term Loan is not clear from public information, it is defined as $200 million plus certain percentages of excess cash flow since October 2013 and proceeds from certain transactions. Notably, it is not reduced for negative cash flow or net income.

On Dec. 13, during the company's latest earnings call, management estimated that the "available amount for restricted payments" was about $250 million. It is not clear, however, whether that was an estimate of the "Available Amount" or of Restricted Payments capacity generally, and it is also not clear if before Dec. 13 the company had executed the transactions with the Unrestricted Subsidiaries under the Term Loan (because according to the latest 10-Q the designations occurred under the credit facilities "simultaneously or previously" to March 10).

Use of Investments capacity likely depleted the company's capacity to make "Restricted Payments" (defined to include payments to equityholders). As we have discussed previously, under the Term Loan, the company's capacity to make "Restricted Payments" is contingent upon capacity provided by the Available Amount (access to which for Restricted Payments is subject to a 2x Interest Coverage Ratio) - which if used for Investments would reduce Restricted Payments capacity - and the $100 million general basket for Restricted Payments that is shared with the $150 million Investments basket.

Assuming the Available Amount was $250 million before the transactions with the Unrestricted Subsidiaries, the company may have had $500 million of capacity for Investments in Unrestricted Subsidiaries under the Term Loan. To the extent the Available Amount or the $150 million Investments baskets were used under the Term Loan for the transactions with the Unrestricted Subsidiaries, the company's capacity to make payments to its equityholders would be commensurately reduced.

Given that capacity for Investments in Unrestricted Subsidiaries under the Term Loan would be limited to the basket for $100 million of Investments if the company did not rely on the Available Amount or the $150 million Investments basket, it is likely that at least a portion of the Available Amount and the $100 million Restricted Payments basket (shared with the $150 million Investments basket) were depleted as a result of the transactions with the Unrestricted Subsidiaries. **If, for example, the total value of the assets transferred to Unrestricted Subsidiaries was $334 million and assuming the Available Amount was $250 million, the company may be left with $114 million of Restricted Payments capacity, but only $100 million would be available for Restricted Payments if the company could not meet the 2x Interest Coverage Ratio.**

Assuming a total of $500 million of Investments capacity before the designations of the Unrestricted Subsidiaries and assuming $334 value of assets transferred, there may be $166 million of Investments capacity remaining under the Term Loan.

Revolver

Under the Revolver, most notably, the company could make any Investments as long as the Payment Conditions are satisfied. As noted above, we estimate that they were satisfied as of Oct. 29, 2016, and Jan. 29, and accordingly, the Revolver likely would not limit the company's ability to make

Investments.

2021 Notes

Meanwhile, under the 2021 Notes, as illustrated below, we estimate that the company likely could not satisfy the 3.5x Total Net Leverage Ratio before the transactions with the Unrestricted Subsidiaries.

Total Net Leverage Ratio under 2021 Notes	
	10/29/2016
Total Debt	$4,901.7
Less: Unrestricted Cash	$42.1
Net Debt	$4,859.6
LTM Adjusted EBITDA	$543.5
Net Leverage Ratio	**8.9x**

Without satisfying the 2x Interest Coverage Ratio, the company's capacity to make Investments in Unrestricted Subsidiaries under the 2021 Notes may therefore have been limited to $250 million. If, however, the company did satisfy the 2x Interest Coverage Ratio, its capacity for such Investments may have been $450 million (plus certain additional amounts based on Consolidated Net Income and proceeds from transactions).

Using reported adjusted EBITDA as a proxy for EBITDA as calculated under the indenture, we estimate that the Interest Coverage Ratio was 1.9x as of Oct. 29 (note that the ratio would have to be calculated on a pro forma basis, meaning that any reduction in EBITDA resulting from the Investments in the Unrestricted Subsidiaries would affect the ratio).

Interest Coverage Ratio under 2021 Notes	
	10/29/2016
LTM Adjusted EBITDA	$543.5
LTM Interest Expense	$286.0
Interest Coverage Ratio	**1.9x**

However, the company may have had access to add-backs that allowed it to satisfy the ratio based on the Oct. 29 financial statements.

Nevertheless, the ratio likely decreased as of the financials for the period ending Jan. 29. As illustrated below, using reported adjusted EBITDA, we estimate that the Interest Coverage Ratio was 1.7x as of Jan 29.

Interest Coverage Ratio under 2021 Notes	
	1/28/2017
LTM Adjusted EBITDA	$487.3
LTM Interest Expense	$288.3
Interest Coverage Ratio	**1.7x**

Due to the decline in EBITDA as of Jan. 29, the company may have made the Investments in Unrestricted Subsidiaries on March 10 - before it reported for the period ending Jan. 29 - so that it could access the additional capacity of $200 million plus certain additional amounts based on Consolidated Net Income and proceeds from transactions.

Under the 2021 Notes, assuming $336 million of assets were transferred, there may be $114 million of Investments capacity remaining (plus certain additional amounts based on Consolidated Net Income and proceeds from transactions).

Conclusion

Given Neiman Marcus' recent disclosure that it had designated certain of its subsidiaries as Unrestricted Subsidiaries under its debt documents, we examined the potential implications to debtholders.

Under the Term Loan, it is likely that assets transferred to the Unrestricted Subsidiaries should be valued at their "original fair market value without taking into account any subsequent increases or decreases in value." Under the 2021 Notes, the assets should likely be valued at either (1) fair-market value as of the original cost of the assets or (2) fair-market value at the time the assets were transferred to Unrestricted Subsidiaries, in each case as determined by the company in good faith.

The "original Fair Market Value" of MyTheresa for purposes of Investments capacity may have been about $181 million based on the original purchase price plus arguably about $55 million attributable to certain earn-out payments. For purposes of analyzing Investments capacity, we assume the properties transferred should be valued at about $98 million, making the total amount of assets transferred about $334 million.

Under the Term Loan, before the transactions with the Unrestricted Subsidiaries, capacity for Investments in Unrestricted Subsidiaries may have totaled $250 million plus the Available Amount. While the remaining value of the Available Amount under the Term Loan is not clear from public information, it is defined as $200 million plus certain percentages of excess cash flow since October 2013 and proceeds from certain transactions. Without satisfying the 2x Interest Coverage Ratio, the company's capacity to make Investments in Unrestricted Subsidiaries under the 2021 Notes may have been limited to $250 million. If, however, the company did satisfy the 2x Interest Coverage Ratio, its capacity for such Investments may have been $450 million (plus certain additional amounts based on Consolidated Net Income and proceeds from transactions). The company may therefore have transferred the assets to the Unrestricted Subsidiaries on March 10 before it filed its latest financial statements so as to remain under the 2x Interest Coverage Ratio, giving it access to the $200 million of additional Investments capacity under the 2021 Notes.

The company's capacity to make payments to its equityholders was likely reduced as a result of the Investments in Unrestricted Subsidiaries, but it is possible that the company continues to have about $100 million of restricted payments capacity assuming $334 million of assets were transferred to Unrestricted Subsidiaries.

Because MyTheresa was likely a foreign subsidiary whose equity was held by a holding company, before it was designated as an Unrestricted Subsidiary it was likely a non-guarantor whose equity interests had not been pledged to the bank debt and the 2028 Notes. Based on the company's public disclosures, it is likely that the transferred properties are no longer mortgaged to secure the bank debt or the 2028 Notes.

REFILE-Neiman Marcus same-store sales fall for first time in six years

(Corrects to “fall” from “falls” in headline)

By Subrat Patnaik

Dec 14 (Reuters) - U.S. luxury fashion retailer Neiman Marcus Group Ltd LLC swung to a quarterly loss from a profit a year ago and reported its first drop in same-store sales in six years, the latest blip in the company’s roadmap to going public again.

Neiman Marcus had in August filed for an initial public offering. Reuters reported in October that the IPO had been pushed back to 2016 due to volatile stock markets.

The company, owned by private equity firm Ares Management LP and the Canada Pension Plan Investment Board, reported a net loss of $10.5 million for the first quarter ended Oct. 31, compared to a net income of $196,000 last year.

Total revenue fell 1.8 percent to $1.16 billion. Same-store sales declined 5.6 percent, the first fall after 23 quarters of rising sales. The Dallas, Texas-based company did not provide additional details about its results in its statement.

“The financials don’t look promising,” Francis Gaskins, president of research firm IPO Desktop said.

But Gaskins said the results should not scupper Neiman Marcus’s IPO plans as the company’s private equity sponsors wanted to exit the company, which is loaded with debt.

Neiman Marcus’s weak results for the quarter follows disappointing results and forecasts from other retailers, including Nordstrom Inc and Macy’s Inc, amid concerns of a slowdown in the retail sector.

Neiman Marcus had in September reported a drop in profit for the fourth quarter, the first quarterly results it posted after it filed for an IPO.

But, Neiman Marcus also has its own set of issues to deal with.

The company’s website suffered an outage on the crucial Black Friday recently, leaving shoppers empty-handed. (Reporting by Subrat Patnaik in Bengaluru; Editing by Savio D’Souza)

EXHIBIT 5

INTEL DECEMBER 17, 2015 / 10:22 AM / 3 YEARS AGO

Fitch Solutions: Neiman Marcus CDS Widen 45%

3 MIN READ

(The following statement was released by the rating agency) NEW YORK, December 17 (Fitch) Recent technical and financial issues have widened credit default swap (CDS) spreads on Neiman Marcus Group LLC to levels not seen since 2013, according to Fitch Solutions in its latest CDS case study snapshot. Five-year CDS on Neiman Marcus widened 45% over the past week and are 92% wider since the start of December. Credit protection on Neiman Marcus' debt is now pricing deeper in speculative grade ('BB-') territory. 'Souring market sentiment for Neiman Marcus is likely attributed to declining sales exacerbated by a technical hiccup over the Thanksgiving shopping weekend,' said Director Diana Allmendinger.

EXHIBIT 6

'Disappointing quarterly results released this past Monday appear to have added to market concerns over Neiman's credit prospects.' Fitch Solutions case studies build on data from its CDS Pricing Service and proprietary quantitative models, including CDS Implied Ratings. These credit risk indicators are designed to provide real-time, market-based views of creditworthiness. As such, they can and often do reflect more short term market views on factors such as currencies, seasonal market effects and short-term technical influences. This is in contrast to Fitch Ratings' Issuer Default Ratings (IDRs), which are based on forward-looking fundamental credit analysis over an extended period of time. Contact: Diana Allmendinger Director +1 212-908-0848 Fitch Solutions, 33 Whitehall Street, New York, NY 10004 Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com. Fitch Group is a global leader in financial information services with operations in more than 30 countries. Fitch Group is comprised of: Fitch Ratings, a global leader in credit ratings and research; Fitch Solutions, a leading provider of credit market data, analytical tools and risk services; BMI Research, an independent provider of country risk and industry analysis specializing in emerging and frontier markets; and Fitch Learning, a preeminent training and professional development firm. With dual headquarters in London and New York, Fitch Group is majority owned by Hearst.

Neiman Marcus same-store sales fall for second straight quarter

reuters.com/article/us-neiman-marcus-gp-results/neiman-marcus-same-store-sales-fall-for-second-straight-quarter-idUSKCN0WH1M7

Shoppers browse at Neiman Marcus at The Plaza, King of Prussia Mall, United State's largest retail shopping space, in King of Prussia, Pennsylvania on December 6, 2014. REUTERS/Mark Makela

(Reuters) - U.S. luxury fashion retailer Neiman Marcus Group Ltd LLC [NMRCUS.UL] reported a second straight quarterly drop in sales at its established stores amid a slowdown in spending on high-end goods.

Sales at stores open more than a year fell 2.4 percent in the quarter ended Jan. 30, compared with a 5.6 percent rise a year earlier.

A volatile stock market has curbed spending on high-end goods, while the strong dollar has hit spending by tourists, reducing sales at Tiffany's Inc (TIF.N) and Macy's (M.N) high-end Bloomingdale's chain, among others.

Unseasonably warm weather also hurt holiday quarter sales at several high-end retailers, including Nordstrom Inc (JWN.N) and Ralph Lauren Corp (RL.N).

Neiman Marcus had filed for an initial public offering in August last year. Reuters reported in October that the IPO had been pushed to 2016 due to volatile stock markets.

The company's net income fell to $7.8 million in the second quarter from $27.8 million a year earlier, hurt by higher depreciation and other expenses.

Revenue fell 2.3 percent to $1.49 billion.

Reporting by Sruthi Ramakrishnan in Bengaluru; Editing by Anupama Dwivedi

Our Standards:The Thomson Reuters Trust Principles.

EXHIBIT 7

Neiman Marcus' same-store sales fall amid apparel slowdown

reuters.com/article/us-neiman-marcus-gp-results-idUSKCN0Z021O

(Reuters) - U.S. luxury fashion retailer Neiman Marcus Group Ltd LLC [NMRCUS.UL] reported its third straight quarterly drop in sales at established stores and a nearly 81 percent fall in profit amid a slowdown in apparel spending.

Shoppers browse at Neiman Marcus at The Plaza, King of Prussia Mall, United State's largest retail shopping space, in King of Prussia, Pennsylvania on December 6, 2014. REUTERS/Mark Makela

Apparel retailers are struggling to attract customers as online shopping becomes increasingly popular. Also, unseasonably cool weather dampened sales of spring wear at major apparel retailers in the latest quarter.

“The prevailing sentiment across retailing is that the customer has less interest in shopping in stores, whether it be traditional department stores or other luxury specialty stores,” Chief Executive Karen Katz said.

Sales at stores open for more than a year fell 5 percent for the third quarter ended April 30.

Sales were hurt by international tourists spending less because of a strong dollar, while economic uncertainty due to stock market volatility and the upcoming presidential elections tempered domestic spending, Katz said.

Rivals Macy’s Inc (M.N), which runs the luxury Bloomingdale’s chain, and Nordstrom Inc (JWN.N) also reported lower same-store sales in the quarter.

Neiman Marcus, which also operates the Bergdorf Goodman stores and mytheresa.com, said it was working with its suppliers to reduce inventory by cancelling orders, returning excess inventory and negotiating for additional markdown allowances.

The retail slowdown has spooked suppliers such as Michael Kors Holdings Ltd (KORS.N) and Coach Inc COH.N, which is pushing department store operators to cut back on promotions.

Neiman Marcus’ net income fell to $3.8 million from $19.8 million a year earlier, while revenue dropped 4.2 percent to $1.17 billion.

The 108-year-old retailer, owned by Ares Management and Canadian Pension Plan Investment Board, had filed for an initial public offering in August last year. Reuters reported in October that the IPO had been pushed to 2016 due to volatile stock markets.

EXHIBIT 8

Reporting by Sruthi Ramakrishnan in Bengaluru; Editing by Anil D'Silva

Our Standards: The Thomson Reuters Trust Principles.

Neiman Marcus posts bigger loss due to asset writedowns

Shoppers browse at Neiman Marcus at The Plaza, King of Prussia Mall, United State's largest retail shopping space, in King of Prussia, Pennsylvania on December 6, 2014. REUTERS/Mark Makela

(Reuters) - Neiman Marcus Group Ltd LLC [NMRCUS.UL] reported a bigger loss for the fourth quarter after the luxury fashion retailer wrote down the value of some of its assets as it struggles with falling sales.

Neiman Marcus, which also operates the Bergdorf Goodman stores, said its net loss widened to $407.25 million in the quarter ended July 30 from $32.88 million a year earlier.

The company had to take more markdowns during the quarter due to soft demand, hurting gross margin, Chief Executive Karen Katz said on a call on Monday.

Neiman Marcus said the non-cash impairment charge of $466.2 million, related to the writedown in fair value of goodwill, tradenames and certain assets, was taken following its annual review of the value of assets during the company’s acquisition in 2013.

Neiman Marcus was acquired by Ares Management and Canadian Pension Plan Investment Board for $6 billion from private-equity firms TPG Capital and Warburg Pincus LLC.

The impairment charges highlight the erosion in Neiman Marcus’s value over the past year, Neil Saunders, CEO of research firm Conlumino, said.

“This is a deterioration brought about by a steady decline in sales which has, in turn, weakened the company’s growth prospects and has tarnished the commercial value of the Neiman Marcus brand name,” he said.

The company said sales at established stores dropped 4.1 percent, falling for the fourth straight quarter. Total revenue declined 3.3 percent.

A pickup in tourist spending and demand for warm weather apparel had helped rivals Macy’s Inc (M.N), which runs the luxury Bloomingdale’s chain, and Nordstrom Inc (JWN.N) to report smaller-than-expected drops in comparable sales for the quarter.

Reporting by Sruthi Ramakrishnan in Bengaluru; Editing by Savio D'Souza and Shounak Dasgupta

EXHIBIT 9

BRIEF-Neiman Marcus CEO on conf call - Operational challenges in Q1 included inventory management system transition

reuters.com/article/idUSFWN1E80L3

Dec 13 (Reuters) - Neiman Marcus Group Llc

* CEO on conf call- Q1 gross margin impacted by higher markdowns as worked to bring inventory in line with soft demand

* CEO - fine tuning marketing to reach beyond traditional customers

* CEO - Q1 results also hurt by distractions like U.S. Presidential elections

* Product margins were down 130 basis points in Q1

* CEO - believe oil prices have stabilized and started moving in positive direction, think there's a lag effect with customers

* CEO - "customers in general (are now) less loyal to any one retailer, due to price transparency online, think that's here to stay"

* CEO on conf call- "Q1 results are very disappointing"

* CEO - operational challenges in Q1 included inventory management system transition, which hurt sales by $30 million-$35 million

* CEO - Q1 results continued to be hurt by oil prices and fewer foreign shoppers as events like Brexit and weakening euro affect US dollar

* CEO - "business has been challenging on every front"

* CEO - working with our vendors to get "buy now, wear now" products in our stores

* CEO - "our core customers are visiting us less frequently" Further company coverage:

Our Standards: The Thomson Reuters Trust Principles.

EXHIBIT 10

Struggling upscale U.S. retailer Neiman Marcus pulls IPO

reuters.com/article/us-neimanmarcus-ipo/struggling-upscale-u-s-retailer-neiman-marcus-pulls-ipo-idUSKBN14Q27A

(Reuters) - Neiman Marcus Group LLC said on Friday it would withdraw its initial public offering, nearly two years after the upscale department store chain filed its intent with U.S. regulators to go public, as it grapples with weaker customer demand.

Shoppers browse at Neiman Marcus at The Plaza, King of Prussia Mall, United State's largest retail shopping space, in King of Prussia, Pennsylvania on December 6, 2014. REUTERS/Mark Makela

Neiman Marcus’ abandoned IPO underscores the challenges facing the high-end retailer, as the broader industry struggles under the weight of competitive pressure from off-price stores and online retailers such as Amazon.com Inc (AMZN.O)

Neiman Marcus declined to comment on the reasons for pulling the IPO.

Neiman Marcus, which also operates the Bergdorf Goodman and MyTheresa brands, was acquired by private equity firm Ares Management LP (ARES.N) and Canada Pension Plan Investment Board three years ago for $6 billion.

The Dallas-based company filed to go public in August 2015, but it soon decided to put these plans on hold as a strong U.S. dollar hurt its store revenue in gateway tourist destinations such as New York, Las Vegas, Los Angeles and Hawaii.

Late 2015 through 2016 was a notably rocky period for IPOs, plagued by market jitters and volatility. Companies only raised $19 billion through public offerings last year, down 42 percent from $32 billion a year prior.

As skittish investors became more concerned with companies’ earnings, some of the biggest victims of last year’s IPO rut were private equity backed, highly indebted companies such as Neiman Marcus, which had been looking to use IPO proceeds to pay down debt.

As of late October, Neiman Marcus had about $4.9 billion in debt, including its asset-based revolving credit facility, much of which stemmed from its 2013 buyout. Last fall, lenders allowed it to push out a maturity on its revolving credit line to 2021, under certain conditions, from 2018, giving the company more time to boost sales to repay debt.

Neiman Marcus’s term loan was trading below face value at about 86 cents on the dollar on Thursday, according to Thomson Reuters data, indicating some investor concern about the prospects of the company. Neiman Marcus’ bonds, meanwhile, are trading at 87 cents on the dollar, down about 8 percent from this time last year.

EXHIBIT 11

For the 12 months ending Sept. 26, Neiman Marcus reported $4.95 billion in sales, a decrease of 2.9 percent from the year prior. It also reported a net loss of $406 million, as compared to net earnings of $14.9 million a year earlier.

Reporting by Lauren Hirsch in New York; Additional reporting by Jessica DiNapoli in New York; Editing by Bill Trott

Our Standards: The Thomson Reuters Trust Principles.

Exclusive: Neiman Marcus hires debt restructuring adviser - sources

reuters.com/article/us-neimanmarcus-debt-restructuring-idUSKBN16A1VC

(Reuters) - U.S. high-end department store chain Neiman Marcus has hired investment bank Lazard Ltd (LAZ.N) to explore ways to bolster its balance sheet as it seeks relief from $4.9 billion in debt, people familiar with the matter said on Friday.

File Photo: A customer walks by the Neiman Marcus Last Call store in Golden, Colorado January 23, 2014. REUTERS/Rick Wilking

Neiman Marcus Group LLC [NMRCUS.UL] is in no immediate risk of bankruptcy, the sources said. However, the move makes it the highest-profile U.S. retailer to turn to a debt restructuring adviser so far this year, as consumers increasingly embrace the internet for shopping.

The sources asked not to be identified because the matter is confidential. Neiman Marcus did not immediately respond to a request for comment, while Lazard declined to comment. One of Neiman Marcus' current owners, Canada Pension Plan Investment Board (CPPIB), declined to comment.

Neiman Marcus operates 42 Neiman Marcus Stores across the United States and two Bergdorf Goodman stores in Manhattan. The company also operates 27 Last Call clearance centers, according to its website.

In addition to grappling with headwinds affecting other U.S. retailers, a plunge in energy prices has further hit Neiman Marcus, because many of its affluent shoppers in Texas have curbed their spending.

The stronger U.S. dollar has also been negative for Neiman Marcus, curbing spending at its Bergdorf Goodman department stores that are popular with New York tourists.

Much of Neiman Marcus' debt load stems from its $6 billion leveraged buyout in 2013, when its current owners, Ares Management LP (ARES.N) and CPPIB, acquired it from other private equity firms.

Following the news of Lazard's hiring by Neiman Marcus, some Neiman Marcus unsecured bonds due in 2021 traded at 54 cents on the dollar, down about 7 percent from Thursday, according to Thomson Reuters data.

The company's approximately $3 billion term loan dipped as low as about 77 cents on the dollar, down from 81 cents earlier on Friday before the news broke, according to Thomson Reuters' LPC. The loan settled at approximately 80 cents on the dollar, LPC reported.

EXHIBIT 12

Earlier this year, the department store withdrew its initial public offering (IPO), two years after it had announced its plans to U.S. regulators. At the time, the department store did not explain why it withdrew its IPO registration.

Despite its challenges, Neiman Marcus has been renovating existing stores and still plans on opening new stores, including a flagship location at New York City's Hudson Yards development.

Reporting by Lauren Hirsch in New York and Jessica DiNapoli in Las Vegas; Editing by Matthew Lewis and Lisa Shumaker

Our Standards: The Thomson Reuters Trust Principles.

Debt-laden Neiman Marcus says exploring options, including sale

reuters.com/article/us-neiman-marcus-gp-sale-idUSKBN16L1N1

(Reuters) - Luxury fashion retailer Neiman Marcus Group said on Tuesday that it was exploring options, including changes to its capital structure or a sale, as it seeks relief from a swelling debt load amid renewed buyout interest from Hudson's Bay Co (HBC.TO).

FILE PHOTO - A customer walks by the Neiman Marcus Last Call store in Golden, Colorado, U.S. on January 23, 2014. REUTERS/Rick Wilking/File Photo

The announcement follows a Reuters report earlier this month that the company had turned to investment bank Lazard Ltd (LAZ.N) to explore ways to bolster its balance sheet. Neiman Marcus has total liabilities of $6.4 billion, including $1.2 billion of deferred income taxes.

Hudson's Bay, owner of the Lord & Taylor and Saks Fifth Avenue retail chains, is in exploratory talks to acquire Neiman Marcus, people familiar with the matter said. It last considered acquiring Neiman Marcus in 2013, sources said at the time.

Hudson's Bay's interest comes as the retail sector faces headwinds that have dented the company's own sales and made it difficult to line up equity financing for a bid for department store operator Macy's Inc (M.N), sources had told Reuters.

With Neiman Marcus' bonds trading at about half their par value, a sale of the company would likely require creditors accepting a steep haircut on their holdings, making an acquisition challenging to structure and pull off, especially for Hudson's Bay, which has market capitalization of C$2.1 billion ($1.6 billion) and net debt of $4.5 billion.

Hudson's Bay and Neiman Marcus declined to comment.

Hudson's Bay, Neiman Marcus and Macy's are under pressure to offer discounts to entice shoppers who increasingly prefer the prices and convenience of internet retailers.

Dallas-based Neiman Marcus' woes have been exacerbated as affluent Texans have cut back on shopping because of a drop in energy prices, while a stronger U.S. dollar has restrained spending at Bergdorf Goodman department store, a popular New York tourist destination that is owned by Neiman.

Related Coverage

EXHIBIT 13

[Canada's Hudson's Bay in talks to buy Neiman Marcus: WSJ](#)

The Wall Street Journal reported earlier on Tuesday that Hudson's Bay was seeking a deal that would give it control of Neiman without having to assume its debt. It did not provide details as to how this can be achieved without at least partially compensating creditors.

Neiman Marcus also said that it made changes to its corporate structure, including naming subsidiary online store My Theresa and some of its properties in Virginia and Texas "unrestricted," meaning not subject to the same rules under credit agreements as other units of the company.

However, experts said this was aimed more at helping the company better manage its debt liabilities.

"They want to increase flexibility to deal with creditors," said Anthony Canale, head of high yield research at research firm Covenant Review LLC. "They want a bargaining chip."

The company wrote down the value of the Neiman Marcus brand by $153.8 million, after having reduced it by $466.2 million last September. It also reported a net loss of $117 million for the 13 weeks ended Jan. 28, compared with year-earlier net earnings of $7.9 million, which it blamed in part on an inventory management system that failed to work properly, leaving it unable to fill orders.

REAL ESTATE USED AS FINANCING

Private equity firm Ares Management LP (ARES.N) and the Canada Pension Plan Investment Board own Neiman Marcus, after acquiring it for $6 billion in 2013.

Neiman Marcus would be a significantly smaller acquisition than Macy's. It had $4.9 billion in sales in 2016, compared with Macy's $25.8 billion, and has roughly 40 stores, compared with more than 700 stores operated by Macy's.

The sign outside the Neiman Marcus Last Call store is seen in Golden, Colorado January 23, 2014. REUTERS/Rick Wilking

Still, the company owns some of its real estate, long core to Hudson Bay's strategy of borrowing against its real estate to finance acquisitions or taking out large mortgages, as it most famously did on Saks' flagship fifth avenue location. Neiman's real estate was valued at roughly $1.2 to $1.5 billion, according to a recent Citi analyst note.

Hudson's Bay has used its real estate partnerships with U.S.-based Simon Property Group Inc (SPG.N) to finance the acquisition of Galeria Holding, the parent company of German department store Kaufhof, for approximately $3 billion. It also has a joint venture with Canada's RioCan Real Estate Investment Trust (REI_u.TO).

“Looking at the Hudson’s Bay playbook, what they have done with the German department store and with Saks, real estate was a key piece of the consideration,” said Helena Song, an analyst at credit ratings agency Standard & Poor’s. “I wouldn’t be surprised if we see a similar consideration here, as well.”

Reporting by Lauren Hirsch and Jessica DiNapoli in New York; Additional reporting by Sruthi Ramakrishan in Bengalaru; Editing by Lisa Von Ahn and Bernard Orr

Our Standards:The Thomson Reuters Trust Principles.

Debt-laden Neiman Marcus abandons hope of a sale

reuters.com/article/us-neiman-marcus-gp-results/debt-laden-neiman-marcus-abandons-hope-of-a-sale-idUSKBN1941UH

(Reuters) - U.S. department store operator Neiman Marcus said on Tuesday it had ended talks regarding a partial or full sale of the company, three months after embarking on a review of strategic alternatives under the weight of a $4.8 billion debt load.

FILE PHOTO - A customer walks by the Neiman Marcus Last Call store in Golden, Colorado, U.S. on January 23, 2014. REUTERS/Rick Wilking/File Photo - RTX30ZXC

The company's debt pile made any acquisition very hard to structure. Talks between Neiman Marcus and its suitor Hudson's Bay Co (HBC.TO), the owner of high-end department store Saks Fifth Avenue, had made little progress because of this issue, Reuters reported in May.

Neiman Marcus does not face any significant debt maturities until 2020, when a term loan of nearly $3 billion comes due, giving its private equity owners Ares Management LP (ARES.N) and Canada Pension Plan Investment Board (CPPIB) time to try to turn the business around.

Neiman Marcus, struggling to seek relief from its debt burden, hired investment bank Lazard Ltd to bolster its balance sheet, Reuters reported in March, as the company continued to struggle with lackluster demand in the face of stiff competition from Amazon.com Inc (AMZN.O) and fast-fashion retailers such as H&M (HMb.ST) and Zara.

To increase flexibility with creditors, Neiman Marcus announced in March it had named subsidiaries holding online store MyTheresa and some of its real estate "unrestricted," making them not subject to the same rules under credit agreements as other units of the company.

The move could potentially allow Neiman Marcus to issue new debt to buy back its bonds at a discount, helping slash its debt pile.

Much of Neiman Marcus's debt load stems from its $6 billion leveraged buyout in 2013, when Ares and Canadian public pension fund CPPIB acquired it from other private equity firms.

The company on Tuesday reported its fourth straight quarterly loss, and posted a nearly 5 percent dip in same-store sales for the third quarter ending April 29. Neiman Marcus posted a net loss of $24.9 million in the quarter, compared to a profit of $3.8 million a year earlier.

"While looking ahead, we know challenges remain, but we are encouraged by the strategies we have in place to improve our operational efficiencies and performance," Chief Executive Karen Katz said on a post-earnings call.

EXHIBIT 14

Retailers have struggled to cope with changes in consumer tastes as shoppers increasingly shop online or spend on travel and big-ticket home improvement items and less on apparel and accessories.

Earlier this year, Dallas-based Neiman Marcus also shelved plans for an initial public offering.

Reporting by Siddharth Cavale in Bengaluru and Jessica DiNapoli in New York; additional reporting by Karina Dsouza in Bengaluru; Editing by Shounak Dasgupta and Phil Berlowitz

Neiman Marcus in talks with lenders for debt overhaul - Bloomberg

reuters.com/article/us-neiman-marcus-gp-bondholder/neiman-marcus-in-talks-with-lenders-for-debt-overhaul-bloomberg-idUSKCN1MD2MP

(Reuters) - Neiman Marcus Group Ltd, the luxury retailer facing a $2.8 billion loan coming due in two years, has started talks with creditors about reworking its borrowings, Bloomberg reported on Wednesday, citing people familiar with the matter.

Advisers for groups of bondholders and lenders are talking to the company about options, including giving the retailer more time to pay back its loan, the report said.

In exchange, the lenders would change Neiman Marcus's credit agreement to give creditors more power if the company's fortunes deteriorate too much, according to the report.

Last month, Reuters reported here distressed investor Marble Ridge Capital LP said that Neiman Marcus may be in default on its debt after it moved its Mytheresa business into an entity belonging to the retailer's private equity owners.

Neiman Marcus was not immediately available for comment.

Reporting by Bharath Manjesh in Bengaluru

Our Standards: The Thomson Reuters Trust Principles.

EXHIBIT 15

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended July 28, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file no. 333-133184-12

Neiman Marcus Group LTD LLC
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-3509435** (I.R.S. Employer Identification No.)
1618 Main Street **Dallas, Texas** (Address of principal executive offices)	**75201** (Zip code)

Registrant's telephone number, including area code: **(214) 743-7600**

Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

(Note: The registrant is a voluntary filer and not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. Although not subject to these filing requirements, the registrant has filed all reports that would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months had the registrant been subject to such requirements.)

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant is privately held. There is no trading in the registrant's membership units and therefore an aggregate market value based on the registrant's membership units is not determinable.

EXHIBIT 16

Bergdorf Goodman. Our Bergdorf Goodman brand caters to the most discerning luxury clientele. We operate two full-line stores that feature elegant shopping environments in landmark locations on Fifth Avenue in New York City and through our Bergdorf Goodman online platform, bergdorfgoodman.com.

MyTheresa. Our MyTheresa brand appeals to younger, fashion-forward, luxury customers, primarily from Europe, Asia and the Middle East. We operate mytheresa.com, our mobile app and the THERESA flagship store in Munich, Germany.

We conduct our specialty retail stores and online operations on an omni-channel basis. As our store and online operations have similar economic characteristics, products, services and customers, our operations constitute a single omni-channel reportable segment.

The Acquisition

On October 25, 2013, Neiman Marcus Group LTD LLC (the "Company") merged with and into Mariposa Merger Sub LLC ("Mariposa") pursuant to an Agreement and Plan of Merger, dated September 9, 2013, by and among Neiman Marcus Group, Inc. ("Parent"), Mariposa and the Company, with the Company surviving the merger (the "Acquisition"). As a result of the Acquisition and the Conversion (as defined below), the Company is now a direct subsidiary of Mariposa Intermediate Holdings LLC ("Holdings"), which in turn is a direct subsidiary of Parent. Parent is owned by entities affiliated with Ares Management, L.P. and Canada Pension Plan Investment Board (together, the "Sponsors") and certain co-investors. Previously, the Company was a subsidiary of Newton Holding, LLC, which was controlled by investment funds affiliated with TPG Global, LLC (collectively with its affiliates, "TPG") and Warburg Pincus LLC (together with TPG, the "Former Sponsors"). On October 28, 2013, the Company and NMG (as defined below) each converted from a Delaware corporation to a Delaware limited liability company (the "Conversion"). References made to "we," "our" and "us" are used to refer to the Company and its subsidiaries, as appropriate to the context.

The Company's operations are conducted through its direct wholly owned subsidiary, The Neiman Marcus Group LLC ("NMG").

Certain financial information of the Company and its subsidiaries is presented on a consolidated basis and is presented as "Predecessor" or "Successor" to indicate whether it relates to the period preceding the Acquisition or the period succeeding the Acquisition, respectively. The Acquisition and the allocation of the purchase price were recorded for accounting purposes as of November 2, 2013, the end of our first quarter of fiscal year 2014. In connection with the Acquisition, the Company incurred substantial new indebtedness, in part in replacement of former indebtedness. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Our fiscal year ends on the Saturday closest to July 31. Like many other retailers, we follow a 4-5-4 reporting calendar, which means that each fiscal quarter consists of thirteen weeks divided into periods of four weeks, five weeks and four weeks. All references to (i) fiscal year 2018 relate to the fifty-two weeks ended July 28, 2018, (ii) fiscal year 2017 relate to the fifty-two weeks ended July 29, 2017 and (iii) fiscal year 2016 relate to the fifty-two weeks ended July 30, 2016. References to fiscal year 2015 and years preceding and fiscal year 2019 and years thereafter relate to our fiscal years for such periods.

Certain amounts presented in tables are subject to rounding adjustments and, as a result, the totals in such tables may not sum.

Our Customers

Our customers are educated, affluent and digitally connected. With respect to our U.S. operations, the average age of our customers is 51 and approximately 60% of our customers are 54 or younger. Approximately 78% of our customers are female, approximately 44% of our customers have an annual household income over $150,000 and approximately 30% of our customers have a household net worth greater than $1 million. Our customers are active on social media, and we engage them through an active presence on Facebook, Twitter, Instagram and Pinterest, our primary social media platforms.

Our InCircle loyalty program is designed to cultivate long-term relationships with our U.S. customers. This program includes marketing features, such as private in-store events, as well as the ability to accumulate points for qualifying purchases. Approximately 35% of our total U.S. revenues in fiscal year 2018 were generated by our InCircle loyalty program members who achieved reward status. On a per customer basis, these customers spend approximately 11 times more with us than our other customers.

In addition to the construction of new stores, we also invest in our existing stores to drive traffic, increase our selling opportunities and enhance customer service.

Competition

The luxury retail industry is highly competitive and fragmented. We compete for customers with luxury and premium multi-branded retailers, pure-play online retailers, specialty retailers, designer brands' proprietary stores and direct-to-customer websites, national apparel chains, individual specialty apparel stores, luxury resale retailers and "flash sale" businesses that primarily sell out-of-season products. We compete for customers principally on the basis of quality and fashion, customer service, value, assortment and presentation of merchandise, marketing and customer loyalty programs and, in the case of Neiman Marcus and Bergdorf Goodman, store ambiance. Retailers that compete directly with us for distribution of luxury fashion brands include Saks Fifth Avenue, Barneys New York, Net-a-Porter, designer boutiques and other national, regional and local retailers. Nordstrom and Bloomingdale's feature a limited offering of luxury merchandise and compete with us to a lesser extent.

We believe we differ from other national retailers by:

- our approach to omni-channel retailing;
- distinctive merchandise assortments, which we believe are more upscale than other luxury and premium multi-branded retailers, and exclusive merchandise offerings that are only available in our stores;
- excellent customer service;
- prime real estate locations;
- premier online websites; and
- elegant shopping environments.

We believe we differentiate ourselves from regional and local luxury and premium retailers through:

- our omni-channel approach to business;
- strong national brands;
- diverse product selection;
- loyalty program;
- customer service;
- prime shopping locations; and
- strong designer relationships that allow us to offer the top merchandise from each designer.

Designer-owned proprietary boutiques and specialty stores carry a much smaller selection of designer brands and merchandise, lack the overall shopping experience we provide, have a limited number of retail locations and generally offer more restrictive return policies.

Employees

As of July 28, 2018, we had approximately 13,500 full-time employees. Our staffing requirements fluctuate during the year as a result of the seasonality of the retail industry. We hire additional temporary associates and increase the hours of part-time employees during seasonal peak selling periods. Except for certain employees of Bergdorf Goodman representing less than 1% of our total employees, none of our employees are subject to a collective bargaining agreement. We believe that our relations with our employees are good.

or that we will prevail when defending our trademark or proprietary rights. The loss or reduction of any of our significant intellectual property or proprietary rights could have an adverse effect on our business.

Additionally, third parties may assert claims against us alleging infringement, misappropriation or other violations of their intellectual property or other proprietary rights, whether or not the claims have merit. Such claims could be time consuming and expensive to defend and may divert management's attention and resources. This could have an adverse effect on our business or results of operations and cause us to incur significant litigation costs and expenses. In addition, resolution of such claims may require us to cease using the relevant intellectual property or other rights or selling the allegedly infringing products, or to license rights from third parties.

We purchase merchandise from brand partners that may incorporate protected intellectual property and we do not independently investigate whether these brand partners legally hold intellectual property rights to merchandise that they are manufacturing or distributing. As a result, we rely upon the brand partners' representations and indemnifications set forth in our purchase orders and supplier agreements concerning their right to sell us the products that we purchase from them. If a third party claims to have rights with respect to merchandise we purchased from a brand partner, or if we acquire unlicensed merchandise, we could be obligated to remove such merchandise from our stores, incur costs associated with destruction of such merchandise if the distributor or brand partner is unwilling or unable to reimburse us and be subject to liability under various civil and criminal causes of action, including actions to recover unpaid royalties and other damages and injunctions. Any of these results could harm our brand image and have a material adverse effect on our business and growth.

Our high level of fixed lease obligations could adversely affect our business, financial condition and results of operations.

Our high level of fixed lease obligations will require us to use a significant portion of cash generated by our operations to satisfy these obligations and could adversely affect our ability to obtain future financing to support our growth or other operational investments. We will require substantial cash flows from operations to make our payments under our operating leases, which in some cases provide for periodic adjustments in our rent rates. If we are not able to make the required payments under the leases, the owners of or lenders with a security interest in the relevant stores, distribution centers or administrative offices may, among other things, repossess those assets, which could adversely affect our ability to conduct our operations. In addition, our failure to make payments under our operating leases could trigger defaults under other leases or under agreements governing our indebtedness, which could cause the counterparties under those agreements to accelerate the obligations due thereunder.

Claims under our insurance plans and policies may differ from our estimates, which could adversely affect our results of operations.

We use a combination of insurance and self-insurance plans to provide for potential liabilities for workers' compensation, general liability, business interruption, property and directors' and officers' liability insurance, vehicle liability and employee health care benefits. Our insurance coverage may not be sufficient, and any insurance proceeds may not be timely paid to us. In addition, liabilities associated with the risks that are retained by us are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions, and our business, financial condition and results of operations may be adversely affected if such assumptions are incorrect.

Risks Related to our Indebtedness

Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to fulfill our obligations with respect to such indebtedness.

As of July 28, 2018, the principal amount of our total indebtedness was approximately $4.7 billion, and we had unused commitments under our revolving credit facilities available to us of $726.6 million, subject to a borrowing base, of which (i) $90.0 million of such capacity is available to us subject to certain restrictions as more fully described in Note 7 of the Notes to Consolidated Financial Statements in Item 15 and (ii) $26.0 million of such capacity is available only to MyTheresa under its credit facilities and not to our U.S. operations.

The existence and terms of our substantial indebtedness could adversely affect our business, financial condition and results of operations by:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limiting our ability to incur, or guarantee, additional indebtedness or obtain additional financing to fund future working capital, capital expenditures, acquisitions, execution of our business and growth strategies or other general corporate requirements;

- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes and future growth;
- limiting our ability to pay dividends or make other distributions in respect of, or repurchase or redeem, capital stock;
- increasing our vulnerability to general adverse economic, industry and competitive conditions and government regulations;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our credit facilities, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete and our ability to take advantage of new business opportunities;
- placing us at a competitive disadvantage compared to other, less leveraged competitors;
- increasing our cost of borrowing; and
- causing our suppliers or other parties with which we maintain business relationships to experience uncertainty about our future and seek alternative relationships with third parties or seek to alter their business relationships with us.

We may also incur substantial indebtedness in the future, subject to the restrictions contained in the indentures governing the Notes (as defined below) and the credit agreements governing our credit facilities. If such new indebtedness is in an amount greater than our current indebtedness levels, the related risks that we now face could intensify. However, we cannot assure you that any such additional financing will be available to us on acceptable terms or at all. See “Our ability to obtain adequate financing or raise capital in the future may be limited” below.

Our ability to obtain adequate financing or raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate or generate less cash than we anticipate. To support our operating strategy, we must have sufficient capital to continue to make significant investments in our new and existing stores, online operations and advertising. While some of these investments can be financed with borrowings under our asset-based revolving credit facility (the "Asset-Based Revolving Credit Facility"), the amount of such borrowings is limited to a periodic borrowing base valuation of our accounts receivable and domestic inventory and is therefore potentially subject to significant fluctuations, as well as certain discretionary rights of the administrative agent of our Asset-Based Revolving Credit Facility in respect of the calculation of such borrowing base value.

Since availability under our Asset-Based Revolving Credit Facility and/or cash generated by our operations may not be sufficient to allow us to fund our capital requirements in the future, we may need to raise additional funds through debt financing, the issuance of new equity or debt securities or a combination of both. Additional financing may not be available on favorable terms or at all.

In addition, the credit and securities markets and the financial services industry have recently experienced disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, increased volatility in securities prices, diminished liquidity and credit availability and intervention from the U.S. and other governments. Additionally, many retailers including some of our competitors have recently experienced or are currently experiencing financial difficulties, including several that have entered bankruptcy or have engaged in other debt restructuring activities. The cost and availability of credit has been and may continue to be adversely affected by these conditions. We cannot be certain that funding for our capital needs will be available from our existing financial institutions and the credit and securities markets if needed, and if available, to the extent required, and on acceptable terms.

The Asset-Based Revolving Credit Facility matures on July 25, 2021 (or July 25, 2020 if the Company’s obligations under its senior secured term loan facility have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later), the senior secured term loan facility (as amended, the "Senior Secured Term Loan Facility" and, together with the Asset-Based Revolving Credit Facility, the "Senior Secured Credit Facilities") matures on October 25, 2020, the 8.00% senior cash pay notes due 2021 (the "Cash Pay Notes") and the 8.75%/9.50% senior PIK toggle notes due 2021 (the "PIK Toggle Notes") mature on October 15, 2021, and the 7.125% senior debentures due 2028 (the "2028 Debentures" and, collectively with the Cash Pay Notes and the PIK Toggle Notes, the "Notes") mature on June 1, 2028. If we cannot renew or refinance the foregoing indebtedness upon their respective maturities or, more generally, obtain funding when needed, in each

EXHIBIT 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, Geoffroy van Raemdonck, as Chief Executive Officer of Neiman Marcus Group LTD LLC (the Company), and Adam Orvos, as Chief Financial Officer of the Company, each hereby certifies, that, to such officer's knowledge:

(i) the Annual Report on Form 10-K of the Company for the fiscal year ended July 28, 2018 (the Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	September 18, 2018	/s/ GEOFFROY VAN RAEMDONCK
		Geoffroy van Raemdonck
		Chief Executive Officer

Dated:	September 18, 2018	/s/ ADAM ORVOS
		Adam Orvos
		Executive Vice President, Chief Financial Officer and Chief Operating Officer

From: Mark_D_Anderson@neimanmarcus.com
Sent: Tuesday, August 21, 2018 4:25 PM
To: Christian Littlejohn
Subject: RE: Catch up

September 18th.

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

From: "Christian Littlejohn" <clittlejohn@marbleridgecap.com>
To: "Mark_D_Anderson@neimanmarcus.com" <Mark_D_Anderson@neimanmarcus.com>
Date: 08/21/2018 11:16 AM
Subject: RE: Catch up

Ah missed it! Ok bummer. What date have you set for earnings?

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

From: Mark_D_Anderson@neimanmarcus.com [mailto:Mark_D_Anderson@neimanmarcus.com]
Sent: Tuesday, August 21, 2018 12:10 PM
To: Christian Littlejohn <clittlejohn@marbleridgecap.com>
Subject: RE: Catch up

We are within 30 days of our call so we are in our quiet period now. We can catch up after the call.

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

EXHIBIT 17

From: "Christian Littlejohn" <clittlejohn@marbleridgecap.com>
To: "Mark_D_Anderson@neimanmarcus.com" <Mark_D_Anderson@neimanmarcus.com>
Cc: "Stephen Schembri" <sschembri@marbleridgecap.com>
Date: 08/21/2018 10:51 AM
Subject: RE: Catch up

Hi Mark – thanks again. Can we connect for one more quick call later this week or early next before you guys enter quiet period?

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

From: Mark_D_Anderson@neimanmarcus.com [mailto:Mark_D_Anderson@neimanmarcus.com]
Sent: Monday, August 20, 2018 5:08 PM
To: Christian Littlejohn <clittlejohn@marbleridgecap.com>
Subject: RE: Catch up

We currently have around 625K members in our loyalty program. Our extra week will actually be in FY19 (Q4 ending July).

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

From: "Christian Littlejohn" <clittlejohn@marbleridgecap.com>
To: "'Mark_D_Anderson@neimanmarcus.com'" <Mark_D_Anderson@neimanmarcus.com>
Cc: "Stephen Schembri" <sschembri@marbleridgecap.com>
Date: 08/20/2018 03:59 PM
Subject: RE: Catch up

Hey Mark,

Just wanted to follow-up here on loyalty customers and any extra week issues.

Thanks a lot,

Christian

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

From: Christian Littlejohn
Sent: Friday, August 17, 2018 4:31 PM
To: Mark_D_Anderson@neimanmarcus.com
Cc: Stephen Schembri <sschembri@marbleridgecap.com>
Subject: RE: Catch up

Ok thanks. Also, curious about 2017 vs. 2018. There was an extra week in 2017, correct? What quarter will that impact for 2018? Thanks.

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

From: Mark_D_Anderson@neimanmarcus.com [mailto:Mark_D_Anderson@neimanmarcus.com]
Sent: Friday, August 17, 2018 3:27 PM

To: Christian Littlejohn <clittlejohn@marbleridgecap.com>
Subject: Re: Catch up

I'll get you this on Monday.

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

On Aug 17, 2018, at 12:51 PM, Christian Littlejohn <clittlejohn@marbleridgecap.com> wrote:
Hey Mark – how many loyalty customers does Neiman have? Thanks.

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

<image001.jpg>

From: Mark_D_Anderson@neimanmarcus.com [mailto:Mark_D_Anderson@neimanmarcus.com]
Sent: Tuesday, August 14, 2018 9:46 AM
To: Christian Littlejohn <clittlejohn@marbleridgecap.com>
Subject: RE: Catch up

Sorry, that's not information we comment on publicly.

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

From: "Christian Littlejohn" <clittlejohn@marbleridgecap.com>
To: "Mark_D_Anderson@neimanmarcus.com" <Mark_D_Anderson@neimanmarcus.com>
Date: 08/13/2018 05:10 PM
Subject: RE: Catch up

Hi Mark,

Ok great, thanks. I was wondering if you were able to share or help walk us through the adjustments to get to Consolidated EBITDA (sorry, not Adjusted EBITDA exactly). It would help us to better understand how liquidity and some of the other covenants work. Do you have historic numbers you can share that are public?

Thanks a lot,

Christian

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

<image001.jpg>

From: Mark_D_Anderson@neimanmarcus.com [mailto:Mark_D_Anderson@neimanmarcus.com]
Sent: Monday, August 13, 2018 6:01 PM
To: Christian Littlejohn <clittlejohn@marbleridgecap.com>
Subject: Re: Catch up

If you can email me your specific questions we can set up a call to review.

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

From: "Christian Littlejohn" <clittlejohn@marbleridgecap.com>
To: "'Mark_D_Anderson@neimanmarcus.com'" <Mark_D_Anderson@neimanmarcus.com>
Date: 08/13/2018 03:17 PM
Subject: Catch up

Hi Mark,

Hope you're doing well.

Do you have time for a call later this week to catch up ahead of earnings? We'd probably only need 20-30 minutes and I had a few specific question about some of the Adjusted EBITDA definitions and calculations.

Thanks a lot,

Christian

Christian Littlejohn, CFA
Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

<image001.jpg>

FOR IMMEDIATE RELEASE
CONTACT:
Mark Anderson
Director – Finance and
Investor Relations
(214) 757-2934

NEIMAN MARCUS GROUP LTD LLC REPORTS FOURTH QUARTER AND FISCAL YEAR 2018 RESULTS

DALLAS, Texas, September 18, 2018 – Neiman Marcus Group LTD LLC (the "Company") today reported financial results for the fourth quarter and fiscal year ended July 28, 2018.

"The fourth quarter was in-line with our expectations and marked our fourth consecutive quarter of positive sales increases," said Geoffroy van Raemdonck, Chief Executive Officer, Neiman Marcus Group. "Online revenues were up 12.5% for the quarter and accounted for 36% of our overall business. We also delivered healthy gross margin performance through lower markdowns and strong inventory management. As we look to the future, we are making long-term investments in technology, supply chain and new customer centric capabilities that will begin to benefit the business in fiscal 2020 and beyond. Our multi-year strategic plan is designed to both protect and advance our existing business, while also positioning Neiman Marcus Group for long-term growth."

For the fourth quarter, the Company reported total revenues of $1.13 billion, representing an increase in comparable revenues of 2.3% from the fourth quarter of fiscal year 2017. The Company reported a net loss of $75.3 million for the fourth quarter of fiscal year 2018 compared to a net loss of $366.3 million in the prior year, which included non-cash impairment charges of

MORE

EXHIBIT 18

$357.0 million as described below under "Other Items". Adjusted EBITDA, which is described on page 8 of this release, for the fourth quarter of fiscal year 2018 was $56.1 million compared to $48.2 million in the prior year.

For fiscal year 2018, the Company reported total revenues of $4.90 billion, representing an increase in comparable revenues of 4.9%. Including non-cash income tax benefits of approximately $391.6 million in fiscal year 2018 and non-cash impairment charges of $510.7 million in fiscal year 2017 as described below under "Other Items", the Company reported net earnings of $251.1 million in fiscal year 2018 compared to a net loss of $531.8 million in the prior year. Fiscal year 2018 Adjusted EBITDA was $477.1 million compared to $433.8 million in the prior year. Free Cash Flow, which is described on page 9 of this release, for fiscal year 2018 was $122.6 million compared to negative $57.7 million in the prior year.

Other Items. The Company recorded non-cash income tax benefits of approximately $391.6 million in fiscal year 2018 due to the impact of the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017. The Company also recorded non-cash impairment charges to state certain intangible and other assets, primarily related to its Neiman Marcus and Bergdorf Goodman brands, to their estimated fair value of $357.0 million in the fourth quarter of fiscal year 2017 and $510.7 million in fiscal year 2017.

Subsequent to the end of the fourth quarter, the Company effected an organizational change as a result of which the entities through which the Company operates the MyTheresa business now sit directly under Neiman Marcus Group, Inc., the Company's ultimate parent entity. These entities were unrestricted, non-guarantor subsidiaries under the Company's debt instruments. As a result of this change, going forward the financial results of the MyTheresa

entities will no longer be included in the Company's publicly reported financial statements. The change is not expected to meaningfully affect operations for Neiman Marcus or MyTheresa.

Conference Call. A live webcast of the earnings conference call can be accessed through the Investor Information section of the Neiman Marcus Group LTD LLC website at www.neimanmarcusgroup.com on Tuesday, September 18, 2018 beginning at 9:00 a.m. Central Daylight Time. Following the live broadcast, interested parties may replay the webcast by accessing this website. To access financial information that will be presented during the call, please visit the Investor Information section of the Neiman Marcus Group LTD LLC website at www.neimanmarcusgroup.com.

Non-GAAP Financial Measures. In this press release, the Company's financial results are presented both in accordance with U.S. generally accepted accounting principles ("GAAP") and using certain non-GAAP financial measures, including Adjusted EBITDA. This non-GAAP financial measure is included to supplement the Company's financial information presented in accordance with GAAP and because the Company uses such measure to monitor and evaluate the performance of its business and believes the presentation of this measure enhances investors' ability to analyze trends in the Company's business and evaluate the Company's performance relative to other companies in its industry. For more information regarding the Company's use of non-GAAP financial measures, including the definition of Adjusted EBITDA, and a reconciliation of such financial measures to net earnings (loss), a GAAP measure, see "Non-GAAP Financial Measures" on page 8 of this press release.

Forward-Looking Statements. This press release contains forward-looking statements. In many cases, forward-looking statements can generally be identified by the use of forward-looking terminology such as "may," "plan," "predict," "expect," "estimate," "intend," "would," "will,"

"could," "should," "anticipate," "believe," "project" or "continue" or the negative thereof or other similar expressions. The forward-looking statements contained in this press release reflect the Company's views as of the date of this press release and are based on our expectations and beliefs concerning future events, as well as currently available data as of the date of this press release. While the Company believes there is a reasonable basis for its forward-looking statements, they involve a number of risks, uncertainties, assumptions and changes in circumstances that may cause the Company's actual results, performance or achievements to differ significantly from those expressed or implied in any forward-looking statement. Therefore, these statements are not guarantees of future events, results, performance or achievements and you should not rely on them. A variety of factors could cause the Company's actual results to differ materially from the anticipated or expected results expressed in the Company's forward-looking statements, including those factors described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and elsewhere in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. You should keep in mind that the forward-looking statements contained in this press release speak only as of the date of this press release. Except to the extent required by law, the Company undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statements to reflect subsequent events, new information or future circumstances.

NEIMAN MARCUS GROUP LTD LLC
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	July 28, 2018	July 29, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,510	$ 49,239
Credit card receivables	33,689	38,836
Merchandise inventories	1,115,839	1,153,657
Other current assets	123,822	146,439
Total current assets	1,311,860	1,388,171
Property and equipment, net	1,569,904	1,586,961
Favorable lease commitments, net	879,434	930,585
Other definite-lived intangible assets, net	354,542	401,081
Tradenames	1,501,327	1,499,750
Goodwill	1,883,869	1,880,894
Other long-term assets	44,967	16,074
Total assets	$ 7,545,903	$ 7,703,516
LIABILITIES AND MEMBER EQUITY		
Current liabilities:		
Accounts payable	$ 318,969	$ 316,830
Accrued liabilities	511,289	456,937
Current portion of long-term debt	29,426	29,426
Total current liabilities	859,684	803,193
Long-term liabilities:		
Asset-based revolving credit facility	159,000	263,000
Long-term debt, net of debt issuance costs	4,464,152	4,412,540
Deferred income taxes	707,554	1,156,833
Deferred real estate credits and deferred financing obligations	254,555	201,892
Other long-term liabilities	341,777	399,406
Total long-term liabilities	5,927,038	6,433,671
Total member equity	759,181	466,652
Total liabilities and member equity	$ 7,545,903	$ 7,703,516

MORE

NEIMAN MARCUS GROUP LTD LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Fourth quarter ended		Fiscal year ended	
(in thousands)	July 28, 2018	July 29, 2017	July 28, 2018	July 29, 2017
Revenues	$ 1,132,943	$ 1,119,875	$ 4,900,444	$ 4,705,993
Cost of goods sold including buying and occupancy costs	817,439	807,124	3,320,753	3,220,027
Selling, general and administrative expenses	281,316	279,429	1,179,641	1,129,309
Income from credit card program	(9,466)	(14,611)	(46,361)	(60,082)
Depreciation expense	52,608	55,672	214,452	225,463
Amortization of intangible assets	11,504	12,139	46,685	50,769
Amortization of favorable lease commitments	12,692	12,786	51,046	53,262
Other expenses	11,418	6,793	37,721	29,730
Impairment charges	-	356,964	-	510,736
Operating earnings (loss)	(44,568)	(396,421)	96,507	(453,221)
Interest expense, net	77,143	75,670	307,441	295,668
Loss before income taxes	(121,711)	(472,091)	(210,934)	(748,889)
Income tax benefit	(46,408)	(105,788)	(462,065)	(217,130)
Net earnings (loss)	$ (75,303)	$ (366,303)	$ 251,131	$ (531,759)

NEIMAN MARCUS GROUP LTD LLC
OTHER OPERATING DATA
(UNAUDITED)

OTHER DATA:

(in millions)	Fourth quarter ended July 28, 2018	Fourth quarter ended July 29, 2017	Fiscal year ended July 28, 2018	Fiscal year ended July 29, 2017
Change in comparable revenues	2.3%	-0.5%	4.9%	-5.2%
Capital expenditures	$ 64.8	$ 40.3	$ 174.6	$ 204.6
Rent expense	$ 31.8	$ 33.4	$ 122.5	$ 116.1
Adjusted EBITDA	$ 56.1	$ 48.2	$ 477.1	$ 433.8

NEIMAN MARCUS GROUP LTD LLC
NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

To supplement the Company's financial information presented in accordance with GAAP, it uses Adjusted EBITDA and Free Cash Flow to monitor and evaluate the performance of its business and believes the presentation of these measures enhances investors' ability to analyze trends in its business and evaluate its performance relative to other companies in its industry. The Company defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not believe are representative of the Company's ongoing performance. The Company defines Free Cash Flow as net cash flow provided by operating activities, less capital expenditures. These financial metrics are not presentations made in accordance with GAAP.

Adjusted EBITDA and Free Cash Flow should not be considered as alternatives to operating earnings (loss) or net earnings (loss) as a measure of operating performance. In addition, Adjusted EBITDA and Free Cash Flow are not presented as and should not be considered as alternatives to cash flows as a measure of liquidity. Adjusted EBITDA and Free Cash Flow have important limitations as analytical tools and should not be considered in isolation, or as substitutes for analysis of the Company's results as reported under GAAP.

These limitations include the fact that Adjusted EBITDA: (i) excludes certain tax payments that may represent a reduction in cash available to the Company; (ii) excludes certain adjustments for purchase accounting; (iii) does not reflect changes in, or cash requirements for, the Company's working capital needs, capital expenditures or contractual commitments; (iv) does not reflect the Company's significant interest expense; and (v) does not reflect the cash requirements necessary to service interest or principal payments on the Company's debt. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements. In addition, other companies in the Company's industry may calculate Adjusted EBITDA or Free Cash Flow differently than it does, limiting their usefulness as comparative measures.

In calculating these financial measures, the Company makes certain adjustments that are based on assumptions and estimates that may prove inaccurate. In addition, in the future the Company may incur expenses similar to those eliminated in this presentation. The following table reconciles net earnings (loss) as reflected in the Company's consolidated statements of operations prepared in accordance with GAAP to Adjusted EBITDA (figures may not sum due to rounding):

(dollars in millions)	Fourth quarter ended		Fiscal year ended	
	July 28, 2018	July 29, 2017	July 28, 2018	July 29, 2017
Net earnings (loss)	$ (75.3)	$ (366.3)	$ 251.1	$ (531.8)
Income tax benefit	(46.4)	(105.8)	(462.1)	(217.1)
Interest expense, net	77.1	75.7	307.4	295.7
Depreciation expense	52.6	55.7	214.5	225.5
Amortization of intangible assets and favorable lease commitments	24.2	24.9	97.7	104.0
EBITDA	$ 32.2	$ (315.8)	$ 408.7	$ (123.7)
Impairment charges	-	357.0	-	510.7
Non-cash rent expense	5.0	2.3	14.7	9.7
Transaction and other costs	-	-	-	3.3
Non-cash stock compensation and other long-term cash incentives	4.0	(1.9)	17.1	(1.2)
Expenses incurred in connection with strategic initiatives	12.6	4.3	23.3	21.3
Liquidation markdowns and expenses related to store closures	5.6	-	20.4	2.6
Expenses incurred in connection with openings of new stores / remodels of existing stores	1.8	-	5.9	8.6
Non-cash gain related to change in vacation policy	(5.2)	-	(19.5)	-
Expenses related to cyber-attack, net of insurance recoveries	-	1.5	1.1	1.5
Net gain from facility closure	-	-	-	-
Other expenses	0.1	0.8	5.3	1.0
Adjusted EBITDA	$ 56.1	$ 48.2	$ 477.1	$ 433.8

The following table reconciles the Company's Free Cash Flow to (i) net cash provided by operating activities less (ii) capital expenditures, in each case as reflected in the Company's condensed consolidated statements of cash flows prepared in accordance with GAAP.

(in millions)	Fiscal year ended July 28, 2018	Fiscal year ended July 29, 2017
Net cash provided by operating activities	$ 297.2	$ 147.0
Capital expenditures	(174.6)	(204.6)
Free Cash Flow	$ 122.6	$ (57.7)

####

From: Mark_D_Anderson@neimanmarcus.com
Sent: Tuesday, September 18, 2018 12:15 PM
To: Christian Littlejohn
Cc: Stephen Schembri
Subject: Re: Investor Call

Hi Christian,
Thanks for your message. At this time, we are not addressing individual questions from our investors. I would refer you to our most recent Annual Report on Form 10-K which should be available early this afternoon at http://neiman.gcs-web.com/financial-information/sec-filings[neiman.gcs-web.com]

Thanks,

Mark D Anderson
The Neiman Marcus Group, Inc.
(214) 757-2934

From: "Christian Littlejohn" <clittlejohn@marbleridgecap.com>
To: "'Mark_D_Anderson@neimanmarcus.com'" <Mark_D_Anderson@neimanmarcus.com>
Cc: "Stephen Schembri" <sschembri@marbleridgecap.com>
Date: 09/18/2018 09:33 AM
Subject: Investor Call

Hi Mark – we just got off of the earnings call. Are you free later today or tomorrow for a call to catch up and discuss the quarter?

Thanks,

Christian

Christian Littlejohn, CFA

EXHIBIT 19

Analyst
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
(212) 858-0551
clittlejohn@marbleridgecap.com

MarbleRidge
CAPITAL

September 18, 2018

BY ELECTRONIC MAIL AND
OVERNIGHT COURIER

Board of Directors, c/o David Kaplan, Chairman
Tracy Preston, General Counsel
Neiman Marcus Group Ltd LLC
1618 Main Street
Dallas, Texas
Attn: Investor Relations
investor_relations@neimanmarcus.com

RE: Spin-off of the MyTheresa Business and Related Transactions

Ladies and Gentlemen:

Reference is made to (i) that certain Indenture dated as of October 21, 2013 for the 8.0% Senior Cash Pay notes due 2021 issued by Mariposa Merger Sub LLC (merged into Neiman Marcus Group Ltd LLC) and Mariposa Borrower, Inc. and that certain Indenture dated as of October 21, 2013 for the 8.75%/9.5% Senior PIK Toggle Notes due 2021 issued by Mariposa Merger Sub LLC (merged into Neiman Marcus Group Ltd LLC) and Mariposa Borrower, Inc. (collectively, the "**Indentures**") and (ii) that certain Term Loan Credit Agreement dated as of October 25, 2013 among Mariposa Intermediate Holdings LLC, as Holdings, Mariposa Merger Sub LLC (merged into Neiman Marcus Group Ltd LLC) (with its affiliates, the "**Company**") and the lenders thereto (the "**Credit Agreement**," and with the Indentures, the "**Debt Documents**"). Capitalized terms used herein have the meaning ascribed to them in the Debt Documents.

Marble Ridge Capital ("**Marble Ridge**") writes in its capacity as a holder of the Senior Cash Pay and PIK Toggle Notes due 2021 (the "**Notes**") and the Term Loans (the "**Term Loans**") referenced above.

We appreciate you distributing this letter to the entire Board of Directors on our behalf.

We write concerning changes in the corporate structure disclosed by the Company on March 14, 2017 and September 18, 2018.

The initial disclosure in March 2017 revealed that the Company had designated the entities that own MyTheresa and properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia (together, the "**Redesignation**" or the "**Redesignated Entities**") as Unrestricted Subsidiaries under the Debt Documents. Not all the facts concerning the Redesignation are known to Marble Ridge. However, what we do know led us to believe that the Company may be in default under its Indentures.

MARBLE RIDGE CAPITAL LP · 111 West 33rd Street Suite 2116 · New York, NY 10120 · (212) 858-9300

EXHIBIT 20

On September 14, 2018, Marble Ridge relayed its concerns that the Redesignation may have caused a default under the Indentures to the Company's representative at Lazard Ltd., Tyler Cowan, to provide the Company with an opportunity to assuage our concerns. However, Mr. Cowan indicated that the Company would not comment on the Redesignation. In response, we indicated that this letter would be forthcoming.

Then, to our surprise and dismay, on September 18, 2018, the Company indicated that it dividended or otherwise transferred the MyTheresa business without any consideration to Neiman Marcus Group Inc., an entity jointly owned by Ares Management L.P. ("**Ares**") and Canada Pension Plan Investment Board ("**CPPIB**") (the "**Dividend**" and, together with the Redesignation, the "**Transactions**"). Neiman Marcus Group Inc. is not an issuer, borrower, or guarantor under the Debt Documents. What the Transactions appear to be is an attempt to move the MyTheresa business beyond the reach of existing creditors sitting between the sponsors' equity and the valuable MyTheresa assets. Most troubling, we understand that Ares and CPPIB usurped this massive benefit and took the MyTheresa business for ***no consideration***.

It is therefore logical to conclude, based on the available information that the true purpose of the Transactions was to strip an important and valuable asset away from the creditors of the Company and to gift that asset to Ares and CPPIB, the Company's equity sponsors and controlling shareholders. Prior to the Transactions, the entities that owned the MyTheresa business, although non-Guarantor Restricted Subsidiaries under the Debt Documents, provided value indirectly to entities that were obligated to repay all amounts due and owing thereunder providing valuable credit support for the Notes and the Term Loans.

Based on the facts known to us, it appears that the Transactions may be susceptible to avoidance as intentional and constructive fraudulent transfers, may expose Ares, CPPIB, and the Company's board to liability and may trigger defaults under the Indentures. Marble Ridge has reason to believe that the Company was insolvent at the time of the Transactions or was rendered insolvent thereby. The Company is the issuer and/or guarantor of at least $4.7 billion of indebtedness. Based on LTM EBITDA of $478.2 million, the Company's indebtedness ***prior to the Transactions*** implies nearly a 10x leverage multiple (far in excess of any of its peers). Moreover, a dividend or other form of a spinoff by an insolvent guarantor to its equity sponsors, for no consideration, has all the hallmarks of an intentional or constructive fraudulent transfer (or illegal dividend) and raises serious questions of breaches of duties of care and loyalty, with exposure for Ares and CPPIB, as controlling shareholders, and for the Company's board. As noted above, Marble Ridge also has concerns that the Transactions do not comply with the Indentures.

We have reviewed the Company's disclosures with respect to the Redesignation, the Company's financial reports, and the Indentures, and have concerns regarding the Company's actions. Under the Indentures, the Company has limited capacity to make restricted investments into Unrestricted Subsidiaries. While there are specific carve-outs and requirements under the Indentures that permit a limited amount of assets to be transferred to or designated as Unrestricted Subsidiaries, certain of those provisions require the Company to be in compliance with a minimum Interest Coverage Ratio. **Therefore, based on our review of all relevant public information, the Transactions appear to have violated the Indentures and, accordingly, the Company may now be in default thereunder**. Additionally, because

the Redesignation appears to have been a first step in a scheme toward spinning off the valuable MyTheresa assets to the equity holders, the Transactions could be voidable and the directors of the Company could face liability.

Marble Ridge wishes to discuss these and related issues with the Company in order to assess whether the Redesignation complied with the Indentures and the Company's rationale for entering into the Redesignation transactions.

To facilitate a meaningful dialogue, Marble Ridge requests that the Company provide the following information to its counsel (for which they are prepared to enter into a standard confidentiality agreement):

1. What was the corporate purpose of the Transactions?

2. What was the determined cost basis for the Redesignated Entities at the time that the Company designated them as Unrestricted Subsidiaries?

3. The Indentures' limitations on Restricted Payments and Restricted Investments appear to prohibit the Company from designating a Subsidiary as an Unrestricted Subsidiary in most instances. Pursuant to which subpart of the definition of "Permitted Investments" or the Restricted Payment covenant did the Company designate the MyTheresa entities as Unrestricted Subsidiaries?

4. How did the Company calculate its Interest Coverage Ratio and Adjusted EBITDA at the time that the Redesignated Entities were designated as Unrestricted Subsidiaries? Please provide back-up for these calculations (including identifying relevant add-backs).

5. The Company's most recent filing on Form 10-K discloses "an intercompany note payable by the [MyTheresa entities] and held by NMG International LLC, which is a non-guarantor restricted subsidiary" (the "**MyTheresa Intercompany Note**"). Please explain why MyTheresa was adequately capitalized at the time it incurred the MyTheresa Intercompany Note and the treatment of the MyTheresa Intercompany Note in connection with the Transactions.

* * *

Given the potential that the foregoing may lead to litigation, we hereby request that the Company and its current and past board members, Ares, and CPPIB retain all documents and communications relating to the Transactions, whether held electronically or in hard copy, notwithstanding any document-retention policies to the contrary. Please confirm in response to this letter that each of the foregoing have complied with this request.

Please direct your response to Sig Wissner-Gross of Brown Rudnick at (212) 209-4930.

Very truly yours,

MARBLE RIDGE CAPITAL

Daniel Kamensky

cc: U.S. Bank National Association
Global Corporate Trust Services
Two Midtown Plaza
1349 West Peachtree Street, Suite 1050
Atlanta, Georgia 30309
Attn: Mr. Jack Ellerin

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Marble Ridge Capital LP Sends Letter to Neiman Marcus Group Board Challenging the Validity of Self-Interested Asset Transfers and Asserting Company Is in Default under Bond Indentures

NEWS PROVIDED BY
Marble Ridge Capital LP →
Sep 21, 2018, 10:00 ET

NEW YORK, Sept. 21, 2018 /PRNewswire/ -- Marble Ridge Capital LP, a value-oriented distressed debt investment firm, today reported it has sent a letter to the Board of Directors of the Neiman Marcus Group Ltd LLC expressing concern that the company may be in default under its Indentures. Marble Ridge is a holder of Neiman Marcus 8.75% Senior Notes and Term Loans.

Continue Reading

Related Documents

EXHIBIT 21

VIEW PDF

Letter from Marble Ridge to Neiman Marcus Board of Directors

Among several improper transactions cited in its letter, Marble Ridge highlights the recent transfer of the MyTheresa business without any consideration to Neiman Marcus Group, Inc., which is jointly owned by Ares Management ("Ares") and Canada Pension Plan Investment Board ("CPPIB"). Neiman Marcus Group, Inc. is not an issuer, borrower, or guarantor under the debt documents. As stated in the letter:

"...what these transactions appear to be is an attempt to move the MyTheresa business beyond the reach of existing creditors sitting between the sponsors' equity and the valuable MyTheresa assets. Most troubling, we understand that Ares and CPPIB usurped this massive benefit and took the MyTheresa business for ***no consideration***."

The letter goes on to state:

"Marble Ridge has reason to believe that the Company was insolvent at the time of the Transactions or was rendered insolvent thereby. The Company is the issuer and/or guarantor of at least $4.7 billion of indebtedness. Based on LTM EBITDA of $478.2 million, the Company's indebtedness prior to the Transactions implies

nearly a 10x leverage multiple (far in excess of any of its peers). Moreover, a dividend or other form of a spinoff by an insolvent guarantor to its equity sponsors, for no consideration, has all the hallmarks of an intentional or constructive fraudulent transfer (or illegal dividend) and raises serious questions of breaches of duties of care and loyalty, with exposure for Ares and CPPIB, as controlling shareholders, and for the Company's board. As noted above, Marble Ridge also has concerns that the Transactions do not comply with the Indentures."

Dan Kamensky, Managing Partner of Marble Ridge, commented, "It is clear that CPPIB and Ares are looking to line their own pockets at the expense of the Company's other stakeholders and employees. With management serving at their behest, these recent actions threaten the viability of a storied franchise that includes marquee brands such as Neiman Marcus and Bergdorf Goodman. Rather than allowing the theft of assets by CPPIB and Ares, we believe a more responsible Board, given its fiduciary obligations, would have engaged in a strategic review to maximize value for the benefit of all of the Company's stakeholders. The potential sale of MyTheresa and the premier real estate owned by Neiman Marcus would generate billions of dollars in proceeds that could be used to substantially reduce the Company's indebtedness and put the Company on more solid financial footing, enabling it to invest in and grow its core business."

In its letter, Marble Ridge asked the Company to provide information in order to assess whether the transactions complied with the Indentures as well as the Company's rationale for entering into the transactions.

About Marble Ridge Capital LP

The principal objective of Marble Ridge is to achieve superior risk-adjusted returns throughout market cycles by making opportunistic investments across and throughout the capital structure of companies that are expected to undergo some sort of corporate event or restructuring. Marble Ridge is led by Managing Partner Dan Kamensky, who has over 19 years of industry experience. Prior to founding Marble Ridge, Mr. Kamensky was a Partner at Paulson & Co. Inc., where he initiated and executed some of the firm's most complex and profitable distressed and event-driven investments across the capital structure.

Media Contact:

Robert Siegfried / Cathryn Vaulman
KEKST
212-521-4800
cathryn.vaulman@kekst.com

SOURCE Marble Ridge Capital LP

Neiman Marcus | Group

Tracy M. Preston
Senior Vice President
General Counsel

September 21, 2018

By Electronic Mail and Overnight Courier

Daniel Kamensky
Marble Ridge Capital LP
111 West 33rd Street, Suite 2116
New York, NY 10120
dkamensky@marbleridgecap.com

Re: MyTheresa Transactions

Dear Mr. Kamensky:

I write in response to your September 18 letter on behalf of the Neiman Marcus Group, Inc. and its subsidiaries (collectively, the "Company"). The allegations you have raised in your letter are inaccurate, both legally and factually.

The March 2017 designation of entities that conduct the Company's MyTheresa business and that hold certain of the Company's real properties as unrestricted subsidiaries was permitted under the express terms of the Company's debt documents. Specifically, the Company had ample basket capacity to designate those subsidiaries as unrestricted under permitted investment and/or restricted payment baskets in all of the Company's applicable debt documents. The designation of these entities as unrestricted subsidiaries also complied with the law in all respects. In addition, the Administrative Agent and Collateral Agent under the Term Loan Credit Agreement agreed with the Company's analysis and released the guarantee of, and all liens and security interests against, NMG International LLC (f/k/a/ NMG International, Inc.) and its assets.

The September 2018 distribution of the unrestricted subsidiaries that operate the MyTheresa business also was allowed under the express terms of the Company's applicable debt documents, all of which permit the distribution of the equity of unrestricted subsidiaries. The distribution likewise complied with the Delaware Limited Liability Company Act and the law in all respects.

Indeed, the fact that the Company had the ability to do these two transactions under its debt documents has been widely reported. *See, e.g.*, *Neiman Marcus' Debt Documents Likely Permit Substantial Investments in Unrestricted Subsidiaries and Non-Guarantor Subsidiaries*, REORGRESEARCH, Feb. 15, 2017; *Neiman's Designation of Unrestricted Subsidiaries Raises*

EXHIBIT 22

Issues Around Credit Support, Strategic Options; Valuation May Determine Additional Capacity, REORGRESEARCH, Mar. 17, 2017; *Neiman Marcus' Transfer of MyTheresa Likely Permitted by Debt Documents*, REORGRESEARCH, Sept. 18, 2018.

For the reasons and facts referenced above, the Company disagrees with the allegations in your letter. The Company will seek to hold Marble Ridge liable for any damage it causes to the Company. All rights reserved.

Sincerely,

Tracy M. Preston

Tracy M. Preston

cc: U.S. Bank National Association
Global Corporate Trust Services
Two Midtown Plaza
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Attn: Mr. Jack Ellerin

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Steven B. Levine, Esq.
Brian T. Rice, Esq.

September 25, 2018

BY ELECTRONIC MAIL AND OVERNIGHT COURIER

Board of Directors, c/o David Kaplan, Chairman
Attn: Tracy Preston, General Counsel
Neiman Marcus Group Ltd LLC
One Marcus Square
1618 Main Street
Dallas, Texas 75201
Tracy_Preston@neimanmarcus.com

RE: Response to September 21 Letter from the Company

Ladies and Gentlemen:

As you are aware, Marble Ridge has raised serious questions about the Company's financial viability, potential defaults under the Indentures governing the Notes, fraudulent insider transactions and lack of independent corporate governance.

We write to you in response to a letter dated September 21, 2018 (the "**September 21 Response**") from Ms. Tracy Preston, General Counsel, on behalf of The Neiman Marcus Group, Inc. and its subsidiaries. Marble Ridge Capital LP is a holder of the 8.75%/9.5% Senior Cash Pay and PIK Toggle Notes due 2021 (the "**Notes**") and Term Loans (the "**Term Loans**") issued by Neiman Marcus Group Ltd LLC (the "**Company**").

We believe it's important that each Member of the Board is made fully aware of the issues at hand. We therefore would appreciate Ms. Preston's distributing this letter to the entire Board of Directors of the Company on our behalf.

In our September 18, 2018 letter (the "**September 18 Letter**")[1] to the Board of Directors of the Company, we requested information necessary to further understand the Transactions with the hope of opening a constructive dialogue. Instead, the Company has refused to provide any information about the Transactions. The Company's refusal to provide any information about the Transactions, including any details concerning the consideration provided to the Company for the transfer of its valuable assets and opportunities to its parent company, appears to be designed to conceal the fact that the Company's equity sponsors, Ares Management L.P. ("**Ares**") and Canada Pension Plan Investment Board ("**CPPIB**"), and

[1] Capitalized terms used but not herein defined shall have the meanings ascribed to them in the September 18 Letter.

EXHIBIT 23

the Company's management paid nothing for the equity interests in the MyTheresa business, confirming that a significant corporate opportunity that belonged to the Company was usurped.

We address the Company's responses below:

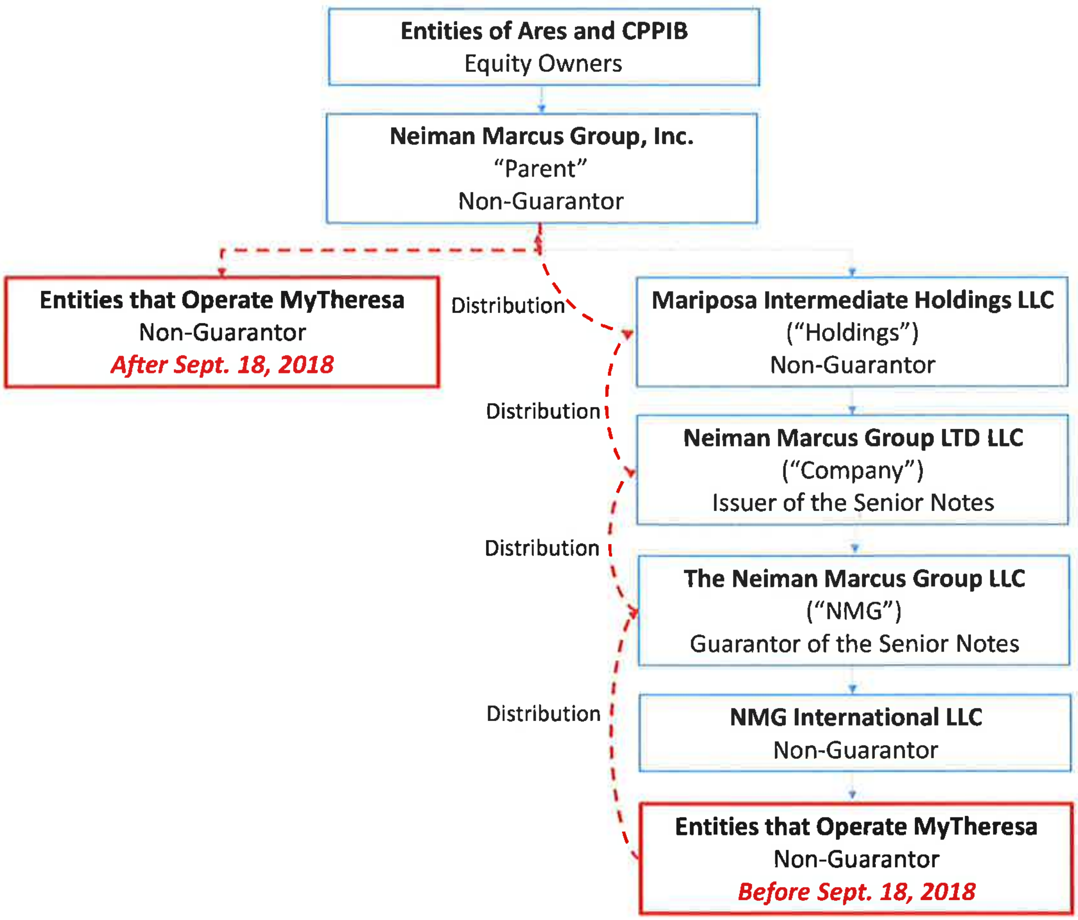
- The Company states without support that it properly designated MyTheresa as an unrestricted, non-guarantor subsidiary rather than explain the basis for the Company's position. Instead, the Company refers to various third-party research reports that purportedly support its position. In fact, many of the reports referenced by the Company raise the same factual and legal issues as raised by our letter. For example, Reorg Research comments that "Under the Indentures, as previously discussed by Reorg Covenants in March 2017, whether the Designation was permitted may depend on several factors: the company's Interest Coverage Ratio, specifically the add-backs allowed to Adjusted EBITDA, as well as the value of the MyTheresa entities at the time of the Designation." *Marble Ridge's Concerns That Neiman's MyTheresa Designation Violated 2021 Notes May Depend on EBITDA Add-Back* dated September 21, 2018. Covenant Review similarly says the "key question will likely be whether adequate capacity was used to accomplish the [redesignation]." *Neiman Marcus: Initial Impressions on the Marble Ridge Capital Letter* dated September 24, 2018. Xtract Research notes that taking a "substance over form" position would "collapse the transactions into a single related transaction . . . in which case the investment baskets would not be available". Xtract goes so far as to warn the Company to "save those emails, Neiman!" *Neiman Marcus and the Two-Step Dividend* dated September 21, 2018.

- In an attempt to further justify its misplaced position that it acted properly, the Company states that the Administrative Agent and Collateral Agent under the Term Loan Credit Agreement agreed with the Company's analysis. We fail to see the relevance of the Company's assertions regarding the Administrative Agent and Collateral Agent under the Term Loan Credit Agreement. As noted in our September 18 Letter, there are specific carve-outs and requirements under the Indentures that limit the Company's capacity to designate subsidiaries as unrestricted under permitted investment and/or restricted payment baskets. These provisions differ in certain material and relevant respects from those contained in the Term Loan Credit Agreement.

- In the September 18 Letter, we noted that a dividend or other form of spinoff by an insolvent debtor to its equity sponsors for no consideration has all the hallmarks of an intentional or constructive fraudulent transfer (or illegal dividend) and raises serious questions of breach of duties of care and loyalty by Members of the Board with exposure to Ares and CPPIB. You responded in your letter that the "distribution" by the Company complied with law and additionally publicly stated that "it was a distribution to Neiman Marcus Group, Inc., and as such is simply an organizational change within the parent entity." Any transfer (whether you call it a dividend or distribution) by a debtor as transferor in exchange for **no consideration** made while the debtor was insolvent or

rendered insolvent is per se a fraudulent conveyance and potentially an illegal dividend.[2] Here, the Company is unquestionably a debtor/transferor. This is regardless of whether the MyTheresa business was properly designated as unrestricted or not.

As illustrated through the steps below, the Company transferred its holdings of NMG International LLC (which operates MyTheresa) to non-guarantor Mariposa Intermediate Holdings LLC.



[2] The Company distributed its holdings of NMG International LLC (which operates MyTheresa) to non-guarantor Mariposa Intermediate Holdings LLC. As disclosed by the Company, "In September 2018, substantially all of the holdings of NMG International LLC were distributed to NMG, to the Company, to Holdings and, ultimately, to Parent (the "Distribution"). These holdings consisted principally of the entities through which we conduct the operations of MyTheresa." See Note 19 to the Company's Form 10-K for the fiscal year ended July 28, 2018.

- Finally, you responded publicly to our assertion that we have reason to believe the Company was insolvent at the time of the Transactions or was rendered insolvent thereby as "unfounded," saying the Company has $800 million of liquidity from a line of credit. Our opinion is well-reasoned and more than supportable given the Company's excess leverage and potential defaults under its Indentures. Moreover, to the extent the Sponsors do not return MyTheresa back to the Company or provide adequate consideration in payment therefore, we have reason to believe the Company will be unable to pay its debts as they come due.

Given the obvious conflicts of interest between the Sponsors and the Company, we urge the Board of Directors of the Company to engage independent legal and financial advisors to advise it of their independent duties of care and loyalty.

We are prepared to engage with the Company regarding these issues and welcome the opportunity to hear a credible explanation, if that is possible, as to why the Transactions were not a fraudulent conveyance and how the Redesignation complied with the Indentures. We urge you -- the Board of Directors of the Company -- to immediately explain publicly how the Company was not stripped of a valuable corporate opportunity in connection with the dividend of the MyTheresa business. If these transactions satisfy all the requirements of the Indentures, the Company should have no difficulty disclosing the necessary proof. However, if the Company continues to ignore our reasonable and valid requests, we are fully prepared to take all necessary legal actions to protect our rights, all of which are expressly preserved.

Rather than looking to line the pockets of Ares and CPPIB at the expense of the Company's creditors, employees and other stakeholders we urge the Board to take a more prudent approach, given its fiduciary obligations, to engage in a strategic review for the benefit of all of the Company's stakeholders. The potential sale of MyTheresa and the premier real estate owned by Neiman Marcus would generate billions of dollars in proceeds that could be used to substantially reduce the Company's indebtedness and put the Company on more solid financial footing, enabling it to invest in and grow its core business.

We believe a transaction along these lines would result in (1) immediate deleveraging of the Company from over 10x to approximately 6x; (2) immediate reduction of interest expense; and (3) increased cash flows to the Company. Moreover, we believe this approach would likely result in an extended runway for the Company to meet its long-term potential while avoiding potentially significant tax consequences.

We are prepared to provide financial support for this approach and are available to discuss the details of our proposal with you and the Company's various stakeholders. We are confident a recapitalization along these lines is superior to any alternative proposal supported by the Company's out-of-the-money Sponsors.

* * *

We look forward to receiving your response to our Proposal.

Very truly yours,

MARBLE RIDGE CAPITAL

Daniel Kamensky

cc: U.S. Bank National Association
Global Corporate Trust Services
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Steven B. Levine, Esq.
Brian T. Rice, Esq.

Research Date: December 17, 2018

Neiman Marcus: Following the Restructuring Proposals, Interesting Questions Remain under the Senior Notes Indentures

The Bottom Line:™

- On November 30, 2018, Neiman Marcus disclosed recent restructuring proposals exchanged with creditors in an SEC filing.
- The presentation filed with the SEC contains details that raise interesting questions under the indentures for the Senior Notes. We examine those details in this report.

Overview

On November 30, 2018, Neiman Marcus Group LTD LLC (the "Company") filed an 8-K with the SEC disclosing that the Company has engaged in confidential discussions with holders of a material portion of its two series of Senior Notes due 2021 (collectively, the "Senior Notes") and holders of a material portion of its term loans (the "Term Loans") regarding potential restructuring proposals. The proposals were included in a presentation that was filed as an exhibit to the 8-K, which is available here (the "Presentation").

In this report, we briefly summarize the proposals in the Presentation and we examine several interesting questions under the indentures for the Senior Notes (the "Senior Notes Indentures") raised by the Presentation. The restrictive covenants of the Senior Notes Indentures are substantially identical with respect to the matters discussed in this report.

Previous Research

We have published extensive research on the Neiman Marcus credit over the years.

In particular, we published a September 18, 2018 report providing our initial impressions on the Company's decision to spin-off the Unrestricted Subsidiaries containing the MyTheresa operations (collectively, the "MyTheresa Business") to the Company's parent, Neiman Marcus Group, Inc., ("Parent") as well as a September 24, 2018 report providing our initial thoughts on the Marble Ridge Capital ("MRC") letter that was sent to the Company.[1] We assume that all of the readers of this report have also read these previous reports.

The Recent Proposals

For the Term Loans, the Company has proposed amending the credit agreement to add a new extended loan tranche that matures in October 2023, with improved pricing, collateral enhancement,[2] and covenant improvement.
For the noteholders, the Company has proposed a par exchange, together with a repayment of $250 million of Senior

[1] The MRC letter requested additional information on the Company's decision to move the MyTheresa business and the three properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia out of the restricted group into Unrestricted Subsidiaries.
[2] The Term Loans would receive liens and structural seniority on all unencumbered ground leases to the extent these are able to be pledged or assigned.

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EXHIBIT 24

Notes on a pro rata basis. The existing Senior Notes would be exchanged for new senior notes due October 2024, which would have "market covenants" that the Company characterizes as "Covenant Improvement." The $250 million pro rata repayment of the Senior Notes would be funded by the issuance of $250 million of new 10% first lien notes (the "Nancy Holdings Notes") by Nancy Holdings, LLC ("Nancy Holdings"). According to the Presentation, Nancy Holdings is an Unrestricted Subsidiary "that owns three unencumbered fee simple properties, which have been leased to The Neiman Marcus Group LLC."[3] The Nancy Holdings Notes would be sold to participating noteholders or lenders. Additionally, the Company would contribute ~$250 million of ground lease value to Nancy Holdings, "resulting in ~$350 million of total collateral support" for the Nancy Holdings Notes.

In addition, the proposed transaction would be contingent on 95% participation from the Term Loans and both tranches of the Senior Notes. Further, all participating creditors would acknowledge and agree to the prior dividend of the MyTheresa Business that occurred in September 2018, as well as waive any potential litigation claims. Finally, as part of the transaction, the covenants for each Senior Notes Indenture would be stripped.

The noteholders and lenders have each made their own proposals, as set forth in the Presentation.

The lenders' proposal includes a guarantee from Parent, which is the owner of the MyTheresa Business, and this guarantee must be secured by the equity of a holding company of the MyTheresa Business, which is referred to as the "MyTheresa Guarantee." 25% of the value of the MyTheresa Guarantee would be released if pro forma first lien leverage is less than 4x for three consecutive quarters. The lenders' proposal also includes a first lien on all assets (other than ABL collateral), including ground lease properties, Nancy Holdings, and the stock of a new domestic Restricted Subsidiary that will not guarantee Neiman debt and to which Neiman will contribute all existing operating leases that may be contributed without landlord consent.

The noteholders' proposal includes the following: (1) a $250 million cash pay down with the proceeds of Nancy Holdings Notes; (2) the remainder of the Senior Notes exchanged into a new single tranche extended note; (3) $200 million in preferred equity in NMG International, LLC[4] ("NMG International") with a 12% PIK interest rate; (4) 10% of the common equity in Parent; and (5) the return of the entities comprising the MyTheresa Business to the credit box as Restricted Subsidiaries and subsidiaries of NMG International.

<u>The Proposal discloses Restricted Payments and Permitted Investments capacity at the time the MyTheresa Business and the three real properties were moved to Unrestricted Subsidiaries.</u>

On page 30 of the Presentation, in footnote 7, the Company provides the following disclosure:

> "At March 2017, Company estimated value (based primarily on the valuation analysis performed solely for management by a third party relying upon data and assumptions provided to it by management and third party sources without independent verification) of MyTheresa, including intercompany arrangements, was ~$280 million, **and over $550 million of Permitted Investments/Restricted Payments capacity under the Notes**." [emphasis ours]

As set forth above, the Company is apparently taking the position that it had over $550 million of Permitted Investments / Restricted Payments capacity under the Senior Notes Indentures at March 2017, which raises some interesting questions

[3] We assume that the properties held by Nancy Holdings are the three properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia, which are the properties the Company identified as currently being held by Unrestricted Subsidiaries in a March 14, 2017 earnings release.
[4] NMG International, LLC is a domestic holding company with respect to Neiman's foreign operations and does not guarantee the existing Senior Notes.

under those indentures.

First, the Company is apparently taking the position that it had some amount of available Restricted Payments basket build capacity under the Restricted Payments covenants of each Senior Notes Indenture. This appears to be the case because the most meaningful Restricted Payments and Permitted Investments carveouts do not aggregate to $550 million:

- Restricted Payments carveout (xx) provides a general basket to the greater of $100 million and 1.15% of total assets;

- Restricted Payments carveout (xix) allows any Restricted Payment to a 3.5x Total Net Leverage Ratio, but this was unavailable at the time the MyTheresa Business and real properties were transferred to Unrestricted Subsidiaries;[5] and

- Permitted Investments clause (27) provides a general investments basket to the greater of $150 million and 1.75% of total assets.[6]

As the applicable carveouts above only aggregate to approximately $250 million, the Company must be taking the position that there was available Restricted Payments basket build capacity in the range of at least $300 million at the time. (The Restricted Payments basket build provision under each Senior Notes Indenture includes a $200 million starter amount, meaning that the Company would have built at least another $100 million of capacity.)

Further, because Restricted Payments basket build would be unavailable unless the Company could meet a pro forma 2x Interest Coverage Ratio,[7] which is based on the ratio of Consolidated EBITDA to interest expense and preferred stock dividends, the Company must be also taking the position that it was better than 2x under the Interest Coverage Ratio of the Senior Notes Indentures at the time it moved the relevant assets to Unrestricted Subsidiaries (assuming that the transfers were all done at the same time).

The Company's proposal would involve moving another $250 million of assets to Unrestricted Subsidiaries.

On page 41 of the Presentation, the Company indicates that it plans to transfer "approximately ~$250 million of ground lease value to Nancy Holdings, resulting in ~$350 million of total collateral support." This statement indicates that the Company believes that the three properties held by Nancy Holdings represent ~$100 million of collateral support (although the Company did not disclose whether that was the value of the three properties at the time they were transferred to Unrestricted Subsidiaries). If the Senior Notes were to remain in the Company's capital structure without the covenants for those Senior Notes Indentures being stripped, then, because Nancy Holdings is an Unrestricted Subsidiary, the Company would need to have additional Restricted Payments and/or Permitted Investments capacity then available to move approximately $250 million of ground lease value to Nancy Holdings.

However, the Company's proposal contemplates a pro rata pay down of the Senior Notes, the remainder of the Senior Notes exchanged into new extended notes, and the covenants of the Senior Notes Indentures being stripped. This means that to the extent that any of the Senior Notes remain outstanding following the transactions contemplated by the Company proposal (which would be no more than 5% of each series of the Notes), they would no longer have the benefit

[5] We estimate that the Company's Total Net Leverage Ratio was well over 8x at the time the transfer of value was made to Unrestricted Subsidiaries.
[6] Permitted Investments clause (24) allows investments in a Similar Business to the greater of $100 million and 1.15% of total assets, but this clause provides that it cannot be used to make investments in Unrestricted Subsidiaries.
[7] See Section 3.4(a)(B) of the Restricted Payments covenant of each Senior Notes Indenture.

of the covenants of those Senior Notes Indentures because they would be stripped as part of the transactions. Accordingly, it appears that remaining capacity under the Senior Notes Indentures would not be an issue.

Presumably, Nancy Holdings would be an Unrestricted Subsidiary under the new exchange notes, with the movement of assets to Nancy Holdings baked in to the terms of those new exchange notes.

Following the Presentation, questions remain that only the Company can definitively answer.

Questions that have not been answered by the Presentation include the following:

- What was the Company's Interest Coverage Ratio, pro forma for the transfers of the MyTheresa Business and the three real properties? Investors should also ask the Company to disclose what covenant-calculated "Consolidated EBITDA" was pro forma for those transfers, including what add-backs the Company took. If the Interest Coverage Ratio was not at least 2x pro forma, the Company would not have been permitted to use any basket build capacity (not even the $200 million starter amount) to justify these transactions.

- How much Restricted Payments basket build capacity did the Company have at the time that it moved the MyTheresa Business and the three real properties to Unrestricted Subsidiaries? While the Presentation includes disclosure that the Company had "over $550 million of Permitted Investments/Restricted Payments capacity," it did not elaborate as to specifically how much Restricted Payments basket build capacity it had built at that time. Investors should also ask the Company to disclose how "Consolidated Net Income" was calculated under the Senior Notes Indentures, including all add-backs the Company took in making that calculation.

- What was the value that the Company ascribed to all of the assets moved to Unrestricted Subsidiaries at the time they were moved? Based on the information contained in the Presentation, it appears that the Company valued the MyTheresa Business at ~$280 million at the time of the transfer and currently values the three real properties at ~$100 million.

There are a number of investors seeking the answers to these questions, and thus far the Company has not provided the full picture to investors seeking to understand how the Company was able to move the MyTheresa Business and the three real properties to Unrestricted Subsidiaries.

On September 24, 2018, we published a report analyzing the issues raised by MRC in its September 18, 2018 letter to the Company. In its letter, MRC raised many of the same questions that were discussed above. It appears that the Company has not been responsive to the questions raised by the MRC letter, because on December 10, 2018, MRC filed suit against the Company in Dallas. The complaint generally alleges that the spin-off of the MyTheresa Business to the Company's parent was a fraudulent transfer. The complaint states on page 13 (inter alia) that the Company has refused to divulge the information needed to determine whether these transactions violated the Senior Notes Indentures:

> "Of course, the Company cannot simply redesignate its controlled subsidiaries – it can only do so in compliance with specific and highly technical provisions of its various debt instruments. **Knowing this, the Company has deliberately chosen to conceal the data and calculations upon which it purportedly relied in effectuating the Redesignation. This lack of transparency has, of course, further stoked creditor concerns. Plaintiffs' repeated requests for the relevant information have been refused.**" [emphasis ours]

The Company's proposal requires a waiver of potential litigation claims.

As discussed earlier in this report, the Company's proposal requires that "all participating creditors would acknowledge and agree to the prior dividend of MyTheresa that occurred in September 2018." Further, a note below the Company's proposal states that "Participating creditors would also consent to waiver of potential litigation claims." So it's clear that the Company was well aware of the possibility of litigation over its previous activities involving Unrestricted Subsidiaries, even before the filing of the MRC suit on December 10, 2018.

We will continue to closely monitor the Neiman Marcus developments, and will publish additional research as new details become available.

— Covenant Review

Disclosures

MOODY'S
INVESTORS SERVICE

CREDIT OPINION

29 October 2018

Update

Rate this Research

RATINGS

Neiman Marcus Group LTD LLC

Domicile	Dallas, Texas, United States
Long Term Rating	Caa3
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Neiman Marcus Group LTD LLC

Update after downgrade of CFR to Caa3

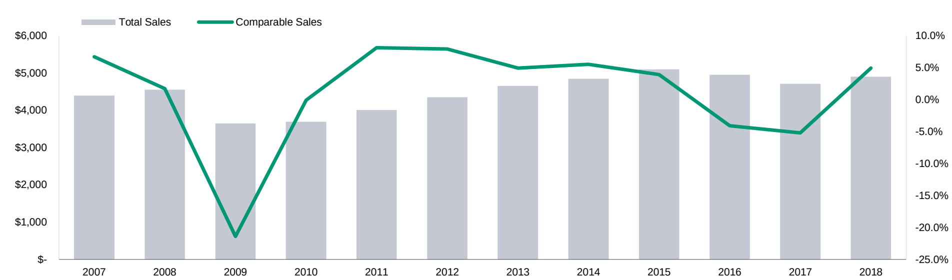
Summary

Neiman Marcus Group's credit profile is constrained by its very high leverage as a result of the 2013 acquisition by Ares Management and the Canada Pension Plan Investment Board. Leverage (Moody's adjusted debt/EBITDA) was 9.9 times and interest coverage (Moody's adjusted EBITA/interest expense) at 0.7 times for NMG's annual ended July 28, 2018. Its movement of certain assets to unrestricted subsidiaries in March 2017 reduced its collateral base for its outstanding debt obligations.

Partly mitigating NMG's very high leverage is our positive view of Neiman's well-known reputation, strong execution historically, and leading position in the luxury apparel market. Neiman's core customer typically has the means to spend but its participation is dependent on the customer's desire to purchase. Although Neiman has good liquidity, time is diminishing to improve its operating performance significantly before its term loan maturing in October 2020 must be refinanced. Despite a healthy luxury market in North America, current secular trends forcing additional investment will make it difficult to return to peak EBITDA levels. Although recent sales trends have improved, increasing demands from the luxury customer for newness and exclusivity in product in the face of increased price transparency continue to require meaningful changes to its business model.

Exhibit 1

Neiman Marcus Sales Performance: Fiscal 2007-2018



Source: Moody's Financial Metrics, Company Data

THIS REPORT WAS REPUBLISHED ON October 29, 2018 TO REFRESH THE RATINGS IN THE SIDEBAR.

EXHIBIT 25

Credit Strengths

» Strong reputation and omni-channel execution

» Good liquidity

Credit Challenges

» Luxury market continues to address secular challenges

» Increasing pressure to bring fashion to market faster

» Very high leverage and weak interest coverage

» Increased financial policy risk

Rating Outlook

The stable outlook reflects our view that the need to optimize its capital structure, increases the risk of its financial policy. It also incorporates our expectation that NMG will continue to improve its operating performance. Leverage is expected to decline but remain at unsustainable levels.

Factors that Could Lead to an Upgrade

Ratings could be upgraded if NMG demonstrates the ability and willingness to achieve and maintain debt to EBITDA below 7.5 times and EBITA to interest expense above 1.0 times.

Factors that Could Lead to a Downgrade

Ratings could be downgraded should liquidity materially deteriorate or if free cash flow becomes meaningfully negative.

Key Indicators

Exhibit 2

Neiman Marcus Group LTD LLC

	7/27/2019 (P)	7/28/2018	7/29/2017	7/30/2016	8/1/2015	8/2/2014
Revenue (USD Billion)	$4.5	$4.9	$4.7	$4.9	$5.1	$4.8
EBIT / Interest Expense	0.5x	0.5x	0.4x	0.8x	1.1x	1.3x
RCF / Net Debt	3.3%	4.0%	3.8%	6.1%	6.3%	5.3%
Debt / EBITDA	10.5x	9.9x	10.7x	8.5x	7.2x	6.8x

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics™

Historicals include Mytheresa.com; while our projection does not.
Source: Moody's Investors Service

Detailed Rating Considerations

Strong reputation and omni-channel execution

NMG's solid reputation in the luxury goods market and strong execution skills are competitive strengths. While NMG's scale in terms of revenue is modest, it is the leading luxury good department store (based on sales) in the US. In addition, NMG has carefully controlled its store expansion and cultivated strong relationships with key luxury brand suppliers.

We believe NMG will continue to leverage its reputation and execution skills by continued integration of its e-commerce platform with its store base. Neiman is a leader in the department store industry with its penetration online with overall internet sales in excess of 30% (excluding mytheresa.com). We believe that Neiman can provide the customer the omnichannel experience that it demands and broaden its base as its stores cover only the most dense affluent areas. NMG has many of capabilities desired including free shipping and returns for its online business, same-day delivery and "buy online and pick up in store". While free shipping has a negative cost, it is

mitigated by its large average ticket relative to many retailers that are competing online. We believe its online capabilities coupled with the personalization of its message to customers enables NMG to further deepen its customer relations.

Recently, the company has made strides to improve its inventory management system, with its new inventory management system, NMG One, fully implemented. The system which was first rolled out in the summer 2016, was designed to more effectively manage inventories and distribution across its operations and different brands. Additionally, the technology allows for tighter inventory control and increased full price selling. The integration initially proved more challenging than expected, with issues of processing receipts and displaying and transferring inventory, impacting visibility of products online and deliveries to customers. NMG has now put the issue behind them, and with inventories being better managed with a decline of 7% in US inventory relative to a comp increase of 2.3% in the fourth quarter of fiscal 2018.

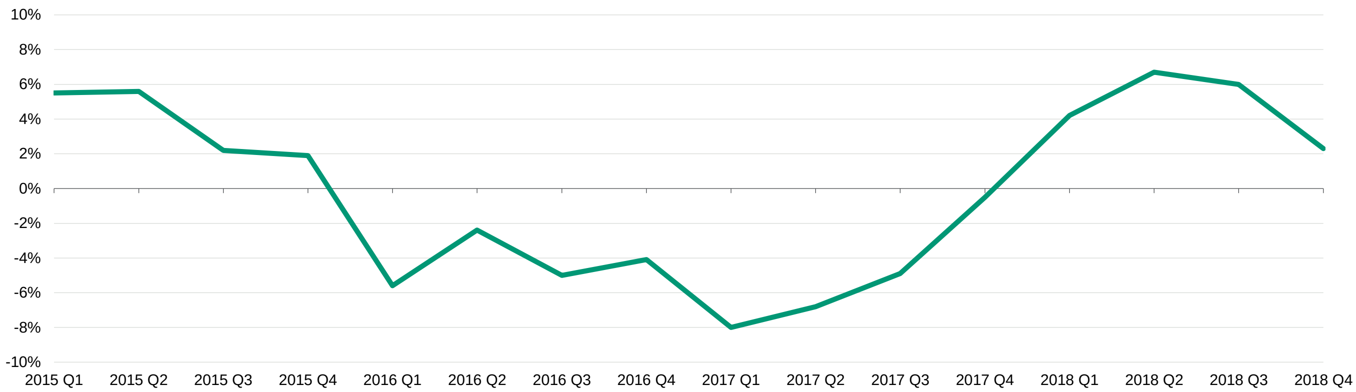
Luxury market continues to address secular challenges

Despite recent strength in the North America luxury market NMG continues to be impacted negatively by secular challenges that face department stores. United States' market share in international travel declined from 13.6% in 2015 to 11.9% in 2017 according to the U.S. Department of Commerce's National Travel and Tourism Office, but has shown improving trends in 2018 with travel to and within the United States up 3.4% year-over-year in May 2018 according to the U.S. Travel Association. A weakening dollar has supported NMG's improvement in its operational performance. NMG has had an improvement in trend with comparable store sales being positive for the four quarters through July 28, 2018.

Exhibit 3

Neiman Marcus' comps have rebounded in fiscal 2018

Quarterly year-over-year comparable revenues



Note: FYE for NMG is on the Saturday closest to July 31, so 2018 Q4 represents most recent quarter ended July 28, 2018

Source: Company filings

We believe longer term cyclical trends for the luxury market should be favorable, particularly in emerging markets, which would include consumers who travel to key gateway destinations where NMG has a presence like New York, Las Vegas, southern Florida and Hawaii. These extremely affluent consumers maintain sizable - and in certain emerging markets, rising - consumption ability that is not hurt by factors impacting consumers of average means. NMG estimates that 44% of its customers have a household income over $150,000, and 30% of them have a household net worth over $1 million. However the company is still susceptible to changes in the buying patterns of its customers as a result of external factors. Highly affluent customers can also react negatively to economic uncertainty as the 2008-2009 recession reflected.

Although NMG's clients includes primarily more affluent consumers as well as ultra-rich individuals which are less vulnerable to changes in the economy, we believe their needs are changing. A shift to newness, exclusivity, and increased price transparency has arguably altered purchasing patterns of the luxury customer which requires Neiman to make changes to its business model including increasing its speed to market and collaborating more closely with its vendors to deliver on their demands.

Increasing pressure to bring fashion to market faster

The proliferation of fast fashion and the ability for new trends to be disseminated quickly has made it more difficult to provide product that is fresh to the customer. Fashion shows that were once exclusive are now being broadcasted broadly by social media. Given merchandise is typically in stores many months after these events, the items can feel dated by the time they hit the shelves. Typically, Neiman Marcus is making decisions on product six to nine months before it arrives in its stores. Fast fashion works on the premise of getting goods to market faster and reacting to changes in trends which limits the needs for markdowns. Neiman is working with its vendors to close the timing gap and improve the flow of product. Neiman has coordinated with TOM FORD and Burberry among others to get the customer to act when goods are unveiled and to ensure those items are displayed at the time of year the customer wants to buy. Consumers continue to gravitate toward buying in season or closer to need, which supports a tighter supply chain.

High leverage and weak interest coverage

NMG's leverage is high and has reached unsustainable levels. Its leverage buyout by Ares Management LLC and the Canada Pension Plan Investment Board in October 2013 coupled with the cyclical and secular pressures facing the company have resulted in its weak metrics. Leverage (Moody's adjusted debt/EBITDA) was 9.9 times and interest coverage (Moody's adjusted EBITA/interest expense) at 0.7 times for NMG's trailing twelve months ended July 28, 2018. Our calculation of EBITDA does not add back certain items that NMG incorporates into its calculation of Adjusted EBITDA. Specifically, items we do not add back include (i) non-cash stock based compensation; (ii) management and advisory fees; (iii) expenses related to new store openings and remodels.

Increased financial policy risk

NMG has taken actions which have increased the risks associated with its financial policy. In March 2017, the company designated certain of its subsidiaries as unrestricted subsidiaries for purposes of the cash pay note and PIK Toggle Note. The subsidiaries which conduct the operations of mytheresa.com acquired in October 2014 for $182 million (plus additional earn out payments of approximately $56 million) and have the owned properties in San Antonio, Texas, Longview, Texas and McLean, Virginia have been designated unrestricted. The act of moving assets out of the restricted group diminishes its collateral base and is viewed negatively. The company has created more flexibility in its ability to use proceeds associated with any monetization of these assets. Given the amount of leverage on the company is unsustainable even despite recent improvement in its operational performance, we believe the risk of a transaction which includes the repurchases and/or retires debt at a discount (a distressed exchange) has increased significantly as the company moves closer to the maturity date on its term loan (October 2020).

Liquidity Analysis

NMG's SGL-2 Speculative Grade Liquidity rating indicates good liquidity. NMG's SGL-2 reflects its modest level of cash and free cash flow generation (excluding extraordinary capital expenditures) which are strengthened by its $900 million asset based revolving credit facility ($159 million borrowings as of July 28, 2018.)

At July 28, 2018 NMG had $39 million of cash and $726.6 million of unused borrowing base availability under its asset-based revolving credit facilities (includes mytheresa.com), though $90 million must be set aside to avoid a covenant trigger. Significant cash uses anticipated include expected net capital expenditures in fiscal 2019 of $170-190 million, interest expense of around $325 million and required term loan payments of $29 million for total cash uses of around $545 million. We anticipate a marginal increase in revolver borrowings for fiscal 2019.

The company's $900 million asset based revolving credit facility is secured by NMG's accounts receivable and inventory. The credit facility expires in July 2021 with a springing maturity to when the $2.8 billion term loan that matures in October 2020. We expect the company will maintain ample availability. The credit agreement contains only one financial covenant (fixed charge coverage > 1.0 times) which is only tested when availability falls below 10% availability or $50 million. We believe that the company will be able to maintain sufficient cushion above the minimum availability hurdle. The term loan has no financial covenants.

Structural Considerations

The Caa2 rating on the $2.8 billion senior secured term loan is one notch higher than the Corporate Family Rating due to its size and position in the capital structure. The term loan is secured by a first lien on all fixed assets and a second lien on accounts receivable and inventory. This places it behind the $900 million asset based revolving credit facility and ahead of the $1.62 billion senior unsecured

notes comprised of $960 million of cash-pay notes and $658 million of PIK Toggle notes. The unsecured notes are rated Ca reflecting the significant amount of secured debt in the company's capital structure.

Profile

Neiman Marcus Group LTD, LLC, ("NMG") headquartered in Dallas, TX, operates 42 Neiman Marcus stores, 2 Bergdorf Goodman stores, and 24 off-price stores under the “Last Call” brand as well as an online and catalog presence. Total revenue is around $4.9 billion. The company was acquired by Ares Management LLC and the Canada Pension Plan Investment Board in October 2013 in a transaction valued at approximately $6 billion.

Rating Methodology and Scorecard Factors

Utilizing the factors outlined in Moody's Global Retail Rating Methodology, the company's grid-indicated rating is Caa1 for the LTM period ending July 28, 2018 and Moody's forward view of the next 12-18 months. The CFR of Caa3 reflects the increased risk to its financial policy as it pursues strategic alternatives which includes the optimization of its capital structure. With respect to operating leases, Moody's capitalizes operating leases at the greater of (a) the net present value of the minimum contractual operating lease payments or (b) for Retail Companies, 5 times historical rent. Neiman Marcus' operating leases are capitalized at the net present value of its minimum contractual operating lease payments, which represents approximately 6.2 times its historical rent expense.

Exhibit 4

Rating Factors

Neiman Marcus Group LTD LLC				
Retail Industry Grid [1][2]	**Current FY 07/28/2018**		**Moody's 12-18 Month Forward View As of Report Publish Date [3]**	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$4.9	Ba	$4.5	Ba
Factor 2 : Business Profile (30%)				
a) Stability of Product	Caa	Caa	Caa	Caa
b) Execution and Competitive Position	Ba	Ba	Ba	Ba
Factor 3 : Leverage and Coverage (45%)				
a) EBIT / Interest Expense	0.5x	Ca	0.5x	Caa
b) RCF / Net Debt	4.0%	Caa	3.3%	Caa
c) Debt / EBITDA	9.9x	Ca	10.5x	Ca
Factor 4 : Financial Policy (15%)				
a) Financial Policy	Ca	Ca	Ca	Ca
Rating:				
a) Indicated Rating from Grid		Caa1		Caa1
b) Actual Rating Assigned				Caa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 07/28/2018; Source: Moody's Financial Metrics™

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

Historicals include Mytheresa.com; while our projection does not.
Source: Moody's Financial Metrics™

Appendix

Exhibit 5

Peer Comparison (Historicals include Mytheresa.com)

	Neiman Marcus Group LTD LLC Caa3 Negative			Nordstrom, Inc. Baa1 Stable			Dillard's, Inc. Baa3 Stable			Hudson's Bay Company B3 Stable		
(in US millions)	FYE Jul-17	FYE Jul-18	LTM Jul-18	FYE Jan-17	FYE Feb-18	LTM Aug-18	FYE Jan-17	FYE Feb-18	LTM Aug-18	FYE Jan-17	FYE Feb-18	LTM Aug-18
Revenue	$4,706	$4,900	$4,900	$14,757	$15,478	$15,959	$6,257	$6,261	$6,340	$10,972	$11,129	$11,256
EBITDA	$560	$583	$583	$1,838	$1,857	$1,906	$608	$541	$554	$1,164	$1,015	$1,041
Total Debt	$6,004	$5,773	$5,773	$4,982	$5,213	$5,210	$1,134	$1,065	$1,138	$10,376	$11,057	$10,948
Cash & Cash Equiv.	$49	$39	$39	$1,007	$1,181	$1,343	$347	$187	$117	$76	$54	$20
EBITDA Margin	11.9%	11.9%	11.9%	12.5%	12.0%	11.9%	9.7%	8.6%	8.7%	10.6%	9.1%	9.3%
EBIT / Int. Exp.	0.4x	0.5x	0.5x	4.8x	4.3x	4.5x	4.4x	3.7x	4.1x	0.6x	0.3x	0.3x
Debt / EBITDA	10.7x	9.9x	9.9x	2.7x	2.8x	2.7x	1.9x	2.0x	2.1x	8.9x	10.5x	10.7x
RCF / Net Debt	3.8%	4.0%	4.0%	26.3%	24.9%	30.5%	50.5%	41.2%	37.3%	4.0%	1.2%	1.3%
FCF / Debt	-0.8%	2.6%	2.6%	11.2%	8.2%	10.0%	35.5%	12.8%	6.8%	-5.9%	-9.1%	-8.9%

Source: Moody's Financial Metrics™. All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.*

Source: Moody's Financial Metrics™

Exhibit 6

Debt Adjustment Breakdown (Historicals include Mytheresa.com)
Neiman Marcus Group LTD LLC

(in US Millions)	FYE Aug-13	FYE Aug-14	FYE Aug-15	FYE Jul-16	FYE Jul-17	FYE Jul-18
As Reported Debt	**2,697.1**	**4,609.9**	**4,585.4**	**4,613.7**	**4,705.0**	**4,652.6**
Pensions	104.0	288.9	329.8	418.2	353.5	301.6
Operating Leases	546.6	548.3	907.4	906.1	865.5	761.2
Non-Standard Adjustments	0.0	0.0	125.3	102.8	80.3	57.9
Moody's-Adjusted Debt	**3,347.7**	**5,447.1**	**5,947.9**	**6,040.8**	**6,004.2**	**5,773.3**

Source: Moody's Financial Metrics™. All figures are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics™

Exhibit 7

EBITDA Adjustment Breakdown (Historicals include Mytheresa.com)
Neiman Marcus Group LTD LLC

(in US Millions)	FYE Aug-13	FYE Aug-14	FYE Aug-15	FYE Jul-16	FYE Jul-17	FYE Jul-18
As Reported EBITDA	**635.3**	**368.5**	**665.4**	**101.0**	**-99.2**	**433.2**
Pensions	1.6	6.2	5.1	2.1	4.0	2.4
Operating Leases	96.7	103.7	117.1	119.4	116.1	122.5
Unusual	13.1	318.0	41.9	490.4	539.5	25.3
Moody's-Adjusted EBITDA	**746.8**	**796.4**	**829.5**	**712.8**	**560.4**	**583.3**

Source: Moody's Financial Metrics™. All figures are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics™

Ratings

Exhibit 8

Category	Moody's Rating
NEIMAN MARCUS GROUP LTD LLC	
Outlook	Stable
Corporate Family Rating	Caa3
Sr Sec Bank Credit Facility	Caa2/LGD2
Senior Unsecured	Ca/LGD4
Speculative Grade Liquidity	SGL-2
NEIMAN MARCUS GROUP, INC.(THE) (OLD)	
Outlook	No Outlook
Bkd Senior Secured	Caa2/LGD2

Source: Moody's Investors Service

REPORT NUMBER 1143846

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

MOODY'S INVESTORS SERVICE

Rating Action: **Moody's downgrades Neiman Marcus' CFR to Caa3**

26 Oct 2018

New York, October 26, 2018 -- Moody's Investors Service, ("Moody's") today downgraded Neiman Marcus Group LTD LLC's ("NMG") Corporate Family Rating to Caa3 from Caa2 and its Probability of Default Rating to Ca-PD from Caa2-PD. The company's Speculative Grade Liquidity rating is affirmed at SGL-2. The outlook is changed to stable from negative. "The downgrade of NMG's Corporate Family Rating reflects its unsustainable leverage levels and short dated maturity profile despite its improved operational performance in the face of a healthy North America luxury market", says Christina Boni, Vice President. "Despite good liquidity, overall leverage levels remain well above what can be refinanced and a quick return to peak EBITDA unlikely."

Downgrades:

..Issuer: Neiman Marcus Group LTD LLC

.... Probability of Default Rating, Downgraded to Ca-PD from Caa2-PD

.... Corporate Family Rating, Downgraded to Caa3 from Caa2

....Senior Secured Bank Credit Facility, Downgraded to Caa2 (LGD2) from Caa1 (LGD3)

....Senior Unsecured Regular Bond/Debenture, Downgraded to Ca (LGD4) from Caa3 (LGD5)

..Issuer: Neiman Marcus Group, Inc.(The) (Old)

....Senior Secured Regular Bond/Debenture, Downgraded to Caa2 (LGD2) from Caa1 (LGD3)

Affirmations:

..Issuer: Neiman Marcus Group LTD LLC

.... Speculative Grade Liquidity Rating, Affirmed SGL-2

Outlook Actions:

..Issuer: Neiman Marcus Group LTD LLC

....Outlook, Changed To Stable From Negative

RATINGS RATIONALE

Neiman Marcus Group's credit profile is constrained by its very high leverage as a result of the 2013 acquisition by Ares Management and the Canada Pension Plan Investment Board. Leverage (Moody's adjusted debt/EBITDA) was 9.9 times and interest coverage (Moody's adjusted EBITA/interest expense) at 0.7 times for NMG's annual ended July 28, 2018. Its movement of certain assets to unrestricted subsidiaries in March 2017 reduced its collateral base for its outstanding debt obligations. Partly mitigating NMG's very high leverage is our positive view of Neiman's well-known reputation, strong execution historically, and leading position in the luxury apparel market. Neiman's core customer typically has the means to spend but its participation is dependent on the customer's desire to purchase. Although Neiman has good liquidity, time is diminishing to improve its operating performance significantly before its term loan maturing in October 2020 must be refinanced. Despite a healthy luxury market in North America, current secular trends forcing additional investment will make it difficult to return to peak EBITDA levels. Although recent sales trends have improved, increasing demands from the luxury customer for newness and exclusivity in product in the face of increased price transparency continue to require meaningful changes to its business model.

Rating Outlook

The stable outlook reflects our view that the need to optimize its capital structure, increases the risk of its financial policy. It also incorporates our expectation that NMG will continue to improve its operating performance. Leverage is expected to decline but remain at unsustainable levels.

What Could Change the Rating - Up

Ratings could be upgraded if NMG demonstrates the ability and willingness to achieve and maintain debt to EBITDA below 7.5 times and EBITA to interest expense above 1.0 times.

What Could Change the Rating - Down

Ratings could be downgraded should liquidity materially deteriorate or if free cash flow becomes meaningfully negative.

Neiman Marcus Group LTD, LLC, ("NMG") headquartered in Dallas, TX, operates 42 Neiman Marcus stores, 2 Bergdorf Goodman stores, and 24 off-price stores under the "Last Call" brand as well as an online and catalog presence. Total revenue is around $4.9 billion. The company was acquired by Ares Management LLC and the Canada Pension Plan Investment Board in October 2013 in a transaction valued at approximately $6 billion..

The principal methodology used in these ratings was Retail Industry published in May 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Related Issuers

Neiman Marcus Group LTD LLC

Neiman Marcus Group, Inc. (The) (Old)

Related Research

Credit Opinion: Neiman Marcus Group LTD LLC: Update after downgrade of CFR to Caa3

Credit Opinion: Neiman Marcus Group LTD LLC: Update to Discussion of Key Credit Factors

Peer Snapshot: Neiman Marcus Group LTD LLC - July 2018 (LTM): Peer Snapshot

Peer Snapshot: Neiman Marcus Group LTD LLC - April 2018 (LTM): Peer Snapshot

Peer Snapshot: Neiman Marcus Group LTD LLC - January 2018 (LTM): Peer Snapshot

EXHIBIT 26

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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MOODY'S
INVESTORS SERVICE

S&P Global
Ratings

Standard & Poor's Credit Research

Research Update:

The Neiman Marcus Group LLC Downgraded To 'CCC-' On Elevated Risk For Debt Restructuring, Outlook Negative

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Table Of Contents

EXHIBIT 27

Research Update:

The Neiman Marcus Group LLC Downgraded To 'CCC-' On Elevated Risk For Debt Restructuring, Outlook Negative

Overview

- The Neiman Marcus Group LLC's leverage remains very elevated and the company continues to report weak operating results, which increases the risk that it will undertake a distressed exchange or balance sheet restructuring in the near term.
- As a result, we are lowering our issuer credit rating on Neiman Marcus to 'CCC-' from 'CCC'.
- At the same time, we are lowering our issue-level rating on the company's secured term loan facility to 'CCC-' from 'CCC' and our issue-level rating on its unsecured notes to 'C' from 'CC'. The recovery ratings are unchanged.
- The negative outlook reflects the potential that we will downgrade the company if it announces a debt restructuring or distressed exchange.

Rating Action

On Oct. 29, 2018, S&P Global Ratings lowered its issuer credit rating on The Neiman Marcus Group LLC to 'CCC-' from 'CCC'. The outlook is negative.

At the same time, we lowered our issue-level rating on the company's $2.9 billion secured term loan facility maturing in October 2020 to 'CCC-' from 'CCC'. The '3' recovery rating remains unchanged, indicating our expectation for meaningful (50%-70%; rounded estimate: 55%) recovery in the event of a default or bankruptcy.

We also lowered our issue-level rating on Neiman Marcus' unsecured notes (consisting of the $960 million cash-pay notes and $600 million payment-in-kind [PIK] toggle notes) due October 2021 to 'C' from 'CC'. The '6' recovery rating remains unchanged, indicating our expectation for negligible (0%-10%; rounded estimate: 0%) recovery prospects.

Rationale

The downgrade reflects our belief that Neiman Marcus could announce a distressed exchange or debt restructuring in the next six months to proactively address its capital structure. We believe the company's weak

operating performance, despite some stabilization over the last 12 months, and minimal free operating cash flows have left it with few options to refinance its onerous capital structure at par (including the $2.8 billion remaining on the secured term loan facility due October 2020). We believe the current conditions in the debt markets are weak for stressed retailers given our expectation for slower economic growth in 2019 and on-going challenges in the retail sector, including the impact from potential tariffs, higher freight and labor costs, and a highly competitive overall environment for retail apparel.

Neiman's debt to EBITDA is more than 10x and we see few prospects for significant operating improvements before the debt maturity that would allow the company to refinance at par. Specifically, we forecast that the company will generate negligible free operating cash flows relative to its burdensome debt levels of around $4.6 billion as of July 2018, which heightens the company's credit risk.

Outlook

The negative outlook on Neiman Marcus reflects our belief that the company will be unable to refinance its capital structure at par and thus could pursue a distressed exchange or debt restructuring in the next six months.

Downside scenario

We would lower our rating on Neiman Marcus if the company announces a distressed exchange or debt restructuring or if we believe a default is inevitable.

Upside scenario

Although highly unlikely in the near term, we could raise our ratings on Neiman Marcus if we expect it to refinance its upcoming debt maturities at par. This could occur if the company's operating trends improve substantially, leading to sizeable positive cash flows.

Issue Ratings--Recovery Analysis

Key analytical factors

- Our recovery analysis assumes that, in a hypothetical bankruptcy scenario, the first-lien term loan lender and secured debt recoveries would benefit from the value we attribute to the firm in our emergence scenario in conjunction with the first-lien security pledge that includes substantially all owned material, real property, and capital stock owned by the borrower and subsidiary guarantors and a second-lien on the collateral securing the asset-based lending (ABL) facility.
- Our waterfall analysis also considers the carve-out value we attribute to the nonobligor assets in non-restricted subsidiaries, including some real

estate assets and MyTheresa.

- Once priority claims are satisfied, we estimate negligible recovery prospects for the company's unsecured noteholders because the notes lack any collateral claims and rank junior in status relative to the ABL and secured debt.
- Our simulated default scenario contemplates a continued increase in competition from other luxury apparel retailers and a modest deterioration in both the company's revenue and operating margins. Under our scenario, these events render the company unable to meet its fixed-payment obligations.
- We believe lender recoveries would be maximized with the company as a going concern and have valued the company using a 5x multiple of our projected emergence-level EBITDA. The 5x multiple is in line with the multiples we use for the company's peers.

Simulated default assumptions

- Estimated gross enterprise value (EV) at emergence: $2.3 billion.
- Simulated year of emergence: 2019
- EBITDA at emergence: $457 million
- EBITDA multiple: 5x

Simplified waterfall

- Net EV after 5% administrative costs: $2.2 billion
- Valuation split (obligors/nonobligors/unpledged): 90%/10%/0%
- ABL and priority claims: $410 million
- Secured debt claims: $3 billion*
- --Recovery expectations: 50%-70% (rounded estimate: 55%)
- Unsecured noteholder and general claims: $3.1 billion*
- --Recovery expectations: 0%-10% (rounded estimate: 0%)

*All debt claims include estimated prepetition interest.

Related Criteria

- Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Retail And Restaurants Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And

Adjustments, Nov. 19, 2013

- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Downgraded

	To	From
The Neiman Marcus Group LLC		
Issuer Credit Rating	CCC-/Negative/--	CCC/Negative/--
The Neiman Marcus Group LLC		
Neiman Marcus Group LTD LLC		
Senior Secured	CCC-	CCC
Recovery Rating	3(55%)	3(55%)
Neiman Marcus Group LTD LLC		
Senior Unsecured	C	CC
Recovery Rating	6(0%)	6(0%)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **December 6, 2018**

Commission file no. 333-133184-12

Neiman Marcus Group LTD LLC
(Exact name of registrant as specified in its charter)

Delaware	**20-3509435**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Marcus Square **1618 Main Street** **Dallas, Texas**	**75201**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(214) 743-7600**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXHIBIT 28

Item 2.02 Results of Operations and Financial Condition

The following information is being furnished, not filed, pursuant to Item 2.02. Accordingly, this information will not be incorporated by reference into any registration statement filed by Neiman Marcus Group LTD LLC under the Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference.

On December 6, 2018 Neiman Marcus Group LTD LLC issued a press release announcing its results of operations and financial condition for the fiscal first quarter ended October 27, 2018. A copy of this press

The press release contains information relating to EBITDA and Adjusted EBITDA. Management has included this information because it believes it provides investors with useful information regarding our results from core operating activities and is a useful basis on which to measure the company's period-to-period performance.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	Description
99.1	Press release issued December 6, 2018 announcing financial results for the fiscal first quarter ended October 27, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

.

NEIMAN MARCUS GROUP LTD LLC

Date: December 6, 2018

By: /s/ T. Dale Stapleton
Name: T. Dale Stapleton
Title: Senior Vice President and Chief Accounting Officer
(principal accounting officer or the registrant)

Exhibit 99.1

Neiman Marcus Group LTD LLC Reports First Quarter Results

DALLAS--(BUSINESS WIRE)--December 6, 2018--Neiman Marcus Group LTD LLC (the "Company") today reported financial results for the first quarter ended October 27, 2018.

"Our first quarter results, marking our fifth consecutive quarter of comparable revenue increases, demonstrate the ongoing stabilization of our business. We continue to focus on delivering on our plan this year, while also positioning the company for future growth," said Geoffroy van Raemdonck, Chief Executive Officer, Neiman Marcus Group. "We will continue to drive innovation that enriches the shopping experience, including investing in personalization and omni-selling."

For the quarter ended October 27, 2018, the Company reported total revenues of $1.10 billion, representing an increase in comparable revenues of 2.8% from the same quarter a year ago. During the quarter, the Company reported a net loss of $28.2 million compared with a net loss of $26.2 million for the first quarter of fiscal year 2018. Adjusted EBITDA, which is described on page 8 of this release, for the first quarter was $135.3 million compared to Adjusted EBITDA of $122.3 million for the first quarter a year ago.

Other Items. In September 2018, the Company effected an organizational change as a result of which the entities through which the Company operated the MyTheresa business now sit directly under Neiman Marcus Group, Inc., the Company's ultimate parent entity (the "Distribution"). As a result, assets and liabilities of MyTheresa for periods prior to the Distribution are included in the Condensed Consolidated Balance Sheets. In addition, the Company's Condensed Consolidated Statements of Operations for the first quarter of fiscal year 2019 includes the operating results of MyTheresa only for the two months prior to the Distribution and three months of the operating results of MyTheresa are included in the first quarter of fiscal year 2018. Going forward the financial results of the MyTheresa entities will no longer be included in the Company's publicly reported financial statements. The change is not expected to meaningfully affect operations for Neiman Marcus or MyTheresa.

In the first quarter of fiscal year 2019, the Company adopted new accounting guidance which resulted in (i) the inclusion of income from the Company's credit card program within revenues, (ii) the reclassification of components of net benefit costs from selling, general and administrative expenses and (iii) the gross balance sheet presentation of estimates for sales returns and recoverable inventories. Additionally, the Company has revised the previously reported revenues and cost of goods sold to correct the income statement classification related to certain reserves for sales returns and promotional programs. These corrections had no impact on gross margin or net earnings (loss).

Conference Call. A live webcast of the earnings conference call can be accessed through the Investor Information section of the Neiman Marcus Group LTD LLC website at www.neimanmarcusgroup.com on Thursday, December 6, 2018 beginning at 9:00 a.m. Central Standard Time. Following the live broadcast, interested parties may replay the webcast by accessing this website. To access financial information that will be presented during the call, please visit the Investor Information section of the Neiman Marcus Group LTD LLC website at www.neimanmarcusgroup.com.

Non-GAAP Financial Measures. In this press release, the Company's financial results are presented both in accordance with U.S. generally accepted accounting principles (“GAAP”) and using certain non-GAAP financial measures, including Adjusted EBITDA. This non-GAAP financial measure is included to supplement the Company’s financial information presented in accordance with GAAP and because the Company uses such measure to monitor and evaluate the performance of its business and believes the presentation of this measure enhances investors’ ability to analyze trends in the Company’s business and evaluate the Company’s performance relative to other companies in its industry. For more information regarding the Company’s use of non-GAAP financial measures, including the definition of Adjusted EBITDA, and a reconciliation of such financial measures to net loss, a GAAP measure, see “Non-GAAP Financial Measures” on page 8 of this press release.

Forward-Looking Statements. This press release contains forward-looking statements. In many cases, forward-looking statements can generally be identified by the use of forward-looking terminology such as “may,” “plan,” “predict,” “expect,” “estimate,” “intend,” “would,” “will,” “could,” “should,” “anticipate,” “believe,” “project” or “continue” or the negative thereof or other similar expressions. The forward-looking statements contained in this press release reflect the Company’s views as of the date of this press release and are based on our expectations and beliefs concerning future events, as well as currently available data as of the date of this press release. While the Company believes there is a reasonable basis for its forward-looking statements, they involve a number of risks, uncertainties, assumptions and changes in circumstances that may cause the Company’s actual results, performance or achievements to differ significantly from those expressed or implied in any forward-looking statement. Therefore, these statements are not guarantees of future events, results, performance or achievements and you should not rely on them. A variety of factors could cause the Company’s actual results to differ materially from the anticipated or expected results expressed in the Company’s forward-looking statements, including those factors described in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections and elsewhere in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission. You should keep in mind that the forward-looking statements contained in this press release speak only as of the date of this press release. Except to the extent required by law, the Company undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statements to reflect subsequent events, new information or future circumstances.

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	October 27, 2018	October 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,732	$ 41,464
Credit card receivables	49,242	44,345
Merchandise inventories	1,186,963	1,342,296
Other current assets	207,958	134,341
Total current assets	1,481,895	1,562,446
Property and equipment, net	1,544,045	1,559,566
Intangible assets, net	2,639,293	2,809,015
Goodwill	1,753,245	1,885,391
Other long-term assets	43,999	23,306
Total assets	$ 7,462,477	$ 7,839,724
LIABILITIES AND MEMBER EQUITY		
Current liabilities:		
Accounts payable	$ 336,356	$ 327,930
Accrued liabilities	501,100	514,317
Current portion of long-term debt	29,426	29,426
Total current liabilities	866,882	871,673
Long-term liabilities:		
Revolving credit facilities	366,000	343,869
Long-term debt, net of debt issuance costs	4,462,467	4,439,355
Deferred income taxes	691,249	1,147,182
Other long-term liabilities	627,128	586,086
Total long-term liabilities	6,146,844	6,516,492
Total member equity	448,751	451,559
Total liabilities and member equity	$ 7,462,477	$ 7,839,724

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands)	Thirteen weeks ended October 27, 2018	Thirteen weeks ended October 28, 2017
Net sales	$ 1,092,784	$ 1,095,682
Other revenues, net	11,607	11,864
Total revenues	1,104,391	1,107,546
Cost of goods sold including buying and occupancy costs	700,236	698,270
Selling, general and administrative expenses	276,761	294,817
Depreciation expense	50,694	55,228
Amortization of intangible assets	11,342	12,164
Amortization of favorable lease commitments	12,442	12,785
Other expenses	9,429	2,840
Operating earnings	43,487	31,442
Benefit plan expense, net	873	463
Interest expense, net	80,549	76,098
Loss before income taxes	(37,935)	(45,119)
Income tax benefit	(9,764)	(18,902)
Net loss	$ (28,171)	$ (26,217)

NEIMAN MARCUS GROUP LTD LLC
OTHER OPERATING DATA
(UNAUDITED)

OTHER DATA:

(in millions)	Thirteen weeks ended October 27, 2018	Thirteen weeks ended October 28, 2017
Change in comparable revenues	2.8%	3.8%
Capital expenditures	$ 37.6	$ 24.7
Rent expense	$ 27.6	$ 28.3
Adjusted EBITDA	$ 135.3	$ 122.3

NEIMAN MARCUS GROUP LTD LLC
NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

To supplement the Company's financial information presented in accordance with GAAP, it uses Adjusted EBITDA to monitor and evaluate the performance of its business and believes the presentation of this measure enhances investors' ability to analyze trends in its business and evaluate its performance relative to other companies in its industry. The Company defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not believe are representative of the Company's ongoing performance. This financial metrics is not a presentation made in accordance with GAAP.

Adjusted EBITDA should not be considered as an alternative to operating earnings or net loss as a measure of operating performance. In addition, Adjusted EBITDA is not presented as and should not be considered as an alternative to cash flows as a measure of liquidity. Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under GAAP.

These limitations include the fact that Adjusted EBITDA: (i) excludes certain tax payments that may represent a reduction in cash available to the Company; (ii) excludes certain adjustments for purchase accounting; (iii) does not reflect changes in, or cash requirements for, the Company's working capital needs, capital expenditures or contractual commitments; (iv) does not reflect the Company's significant interest expense; and (v) does not reflect the cash requirements necessary to service interest or principal payments on the Company's debt. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements. In addition, other companies in the Company's industry may calculate Adjusted EBITDA differently than it does, limiting its usefulness as a comparative measure.

In calculating these financial measures, the Company makes certain adjustments that are based on assumptions and estimates that may prove inaccurate. In addition, in the future the Company may incur expenses similar to those eliminated in this presentation. The following table reconciles net loss as reflected in the Company's Condensed Consolidated Statements of Operations prepared in accordance with GAAP to Adjusted EBITDA (figures may not sum due to rounding):

	Thirteen weeks ended	
(dollars in millions)	October 27, 2018	October 28, 2017
Net loss	$ (28.2)	$ (26.2)
Income tax benefit	(9.8)	(18.9)
Interest expense, net	80.5	76.1
Depreciation expense	50.7	55.2
Amortization of intangible assets and favorable lease commitments	23.8	24.9
EBITDA	$ 117.1	$ 111.2
Expenses incurred in connection with strategic initiatives	7.0	0.4
Expenses incurred in connection with openings of new stores / remodels of existing stores	4.8	0.8
Non-cash stock compensation and other long-term cash incentives	2.1	6.5
Non-cash rent expense	1.9	2.3
Expenses related to store closures	-	1.3
Expenses related to cyber-attack, net of insurance recoveries	-	1.1
Non-cash gain related to change in vacation policy	-	(1.2)
Other expenses	2.4	-
Adjusted EBITDA	$ 135.3	$ 122.3

CONTACT:
Mark Anderson
Director – Finance and
Investor Relations
(214) 757-2934

Neiman Marcus Group Retail, US

Credit Report 19 December 2018 North America

Neiman Marcus Capital Structure 27 October 2018 (USD m)										
Instrument (Excluding Debt Discount)	Coupon	Face Amt Out	Market Amt	Price	Yield	Maturity	Face Leverage	Market Leverage	NTM Face Leverage	NTM Market Leverage
USD 900m ABL	L+1.25 to 1.75%	366	366	100	3.8%	05 Jul 2021	0.8x	0.8x	0.7x	0.7x
Senior Secured Term Loan	L + 3.25 to 4.0%	2,803	2,410	86	15.1%	25 Oct 2020	6.7x	5.9x	6.5x	5.7x
2028 Debentures	7.125%	125	91	73	11.9%	01 Jun 2028	7.0x	6.1x	6.7x	5.9x
Secured Debt		3,294	2,868				7.0x	6.1x	6.7x	5.9x
Cash Pay Notes	8.0%	960	461	48	41.0%	15 Oct 2021	10.4x	7.8x	10.0x	7.5x
PIK Toggle Notes	9.5% PIK	658	336	51	38.5%	15 Oct 2021	10.4x	7.8x	10.0x	7.5x
Consolidated Debt		4,912	3,664				10.4x	7.8x	10.0x	7.5x
Cash		38	38							
Net Debt		4,874	3,626				10.4x	7.7x	10.0x	7.4x
Adjusted EBITDA to 1Q18 Less MyTheresa	471									
DW Fiscal 2019 Adjusted EBITDA Estimate	489									

OVERVIEW

Neiman Marcus's (NMG) earnings for 1Q19 seem almost like an afterthought given the issues posed by its need to address its capital structure ahead of the term loan maturity on 25 October 2020 . If anything, the issue of what NMG is no longer reporting, the MyTheresa entity, is overshadowing the parts of the business that it is still reporting. In light of the lawsuit by Marble Ridge, the counter claim by the company against Marble Ridge, the failed debt exchange proposals, and now holders of the term loan organizing to replace Credit Suisse as the agent, what occurred performance wise in 1Q19 is of less long-term importance in assessing Neiman's credit.

There was nothing in the results themselves that changes the view we have held for several quarters. The company is making progress on reversing its downward slide with improving comp sales both in its stores and online. Adjusted EBITDA continues to improve, but it is still well below the levels the company needs to deleverage and show a meaningful recovery, or any recovery at all, for its unsecured debt.

The approach the company took in its proposal to its banks and bondholders was predicated on the view that it can achieve USD 5bn in sales and USD 700m in adjusted EBITDA within five years by leveraging its position to benefit from changes in the luxury industry. To put the strategic plan simplistically, Neiman management intends to increase opportunities to engage its customer base of affluent luxury customers by maintaining strong brand relationships among the luxury fashion goods designers, delivered with a high level of service at both its marquee store locations and, increasingly, in ecommerce. Given the company's view that it has a formula but needs time, the management proposal for its recapitalization was unsurprisingly an amend and extend transaction that provides the same basic capital structure framework with a shift of a portion of the unsecured notes into a new note issued by an Unrestricted Subsidiary, Nancy Holdings.

From a reporting perspective, some accounting and reporting changes occurred in the first quarter that make the year-over-year (YoY) comparisons trickier. The accounting changes resulted in a shift of the credit card program's income from a contra-expense to revenue, which we've adjusted on our historic income statement presentation. In addition, the required accounting change shifted the timing of revenue recognition of online sales, and the company reclassified certain reserves for sales and promotions, which resulted in an adjustment to 1Q18 of USD 24.6m between revenue and COGS. More importantly, the consolidated results now eliminate the MyTheresa results, but after it was included in the first two months of the quarter. From the reporting perspective, LTM adjusted EBITDA is USD 489m. But, in our cap table and in our recovery estimates, we have backed out the USD 19m contribution from MyTheresa.

The LTM adjusted EBITDA level of USD 489m coincidentally matches our forecast for fiscal 2019, which is based on an expectation of a 7% increase from USD 457m in 2018, excluding MyTheresa. The company did report a 13.6% YoY increase in 1Q19 as a result of changes in overhead expenses. We have less confidence in our ability to project each quarter individually as the quarterly contribution from MyTheresa in 2018 wasn't specifically stated.

FINANCIAL SNAPSHOT (USD m)			
Fiscal Period	*FY17*	*FY18*	*LTM*
Period Ended	*29-Jul-17*	*28-Jul-18*	*27-Oct-18*
Adjusted EBITDA	**434**	**477**	**489**
Cash Interest	(278)	(265)	(284)
Capex	**(205)**	**(175)**	**(178)**
Levered FCF	**(49)**	**37**	**28**
Debt Repayment	(820)	(1,221)	(1,372)
Proceeds from Debt Issuance	889	1,088	1,397
Adjusted FCF	**20**	**(96)**	**53**
Cash	49	38	38
Availability under ABL	634	701	533
Liquidity	**683**	**739**	**571**

Note: Table is for consolidated results, which includes the impact of MyTheresa.

Liquidity Projection (USD m)	
Cash	38
ABL Availability	533
Total Liquidity at 27 October 2018	**571**
NTM FCF	(6)
Post-Holiday Liquidity Improvement	170
CPLTD	(29)
Estimated Liquidity at 4Q19	**705**

Source: *Debtwire.*

Neiman Marcus Group is a luxury fashion retailer with 44 full-line stores and 27 Last Call outlet stores. In September 2013, private equity firms TPG and Warburg Pincus sold Neiman Marcus to Ares Management and the Canada Pension Plan Investment Board for USD 6bn. Based on EBITDA (unadjusted) through July 2013, the purchase price multiple was approximately 9.5x.

RECENT *DEBTWIRE* COVERAGE

Neiman Marcus lenders send letter pushing for new agent	17 December 2018
Neiman Marcus files claims against Marble Ridge	14 December 2018
Neiman Marcus receives another letter from Marble Ridge	- 25 Sept 2018
Neiman Marcus asset move fashions PetSmart comp as creditors mobilize across structure	- 21 Sept 2018

Debtwire North America

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EXHIBIT 29

RECENT RESULTS, FORECAST AND LIQUIDITY:

Segment Results (USD m)									
Period Ended	*FY17 Total*	*FY18 Total*	*USD Variance*	*% Variance*	*1Q18*	*1Q19*	*USD Variance*	*% Variance*	*LTM to 1Q19*
Results Ex-MyTheresa									
Stores & Last Call	3,233	3,210	(23)	-0.7%	739	727	(12)	-1.6%	3,198
Online	1,207	1,326	119	9.9%	283	305	22	7.8%	1,348
Reported Revenue	4,440	4,536	96	2.2%	1,022	1,032	10	1.0%	4,546
Other Revenue (Credit Card)	61	46	(15)	-24.6%	12	12	-	-	46
Pro Forma Revenue	4,501	4,582	81	1.8%	1,034	1,043	10	0.9%	4,592
Adjusted EBITDA	419	458	39	9.3%	120	136	16	13.6%	474
MyTheresa Results									
Total Revenue	266	364	98	36.8%	74	61			
Adjusted EBITDA	15	19	4	26.7%	2	(1)			

With more clarity on the business without the inclusion of the significant revenue gains from MyTheresa, it may be easier to assess the direct impact of what management referred to as its "Ignite to Win" strategy. The end result is a target of USD 5bn in sales and USD 700m in adjusted EBITDA in five years. The plan for 2019 and 2020 seems to emphasize freeing up cash through cost reductions, creating financial flexibility to fund reinvestment in parts of the operation, and funding growth initiatives.

The revenue target does not seem insurmountable as LTM revenue, ex-MyTheresa, is USD 4.6bn. Getting to USD 5bn would require a less than 2% increase on average, per year. But, the adjusted EBITDA component requires a more ambitious execution. With LTM adjusted EBITDA of USD 474m, the USD 700m goal is a 48% cumulative increase. Per year, that's an expectation of close to 10% growth. Given that the sales component isn't the engine for the improvement, the expectation has to be a combination of a significant bump in gross margins and expense leverage. Given Neiman's reputation for service and the emphasis on deepening customer relationships, we have to assume it aims to shift a significantly greater portion of revenue online, which doesn't carry the same overhead expense structure. To understand the opportunity, it would be interesting to assess how much of the USD 1.3bn of online sales in the last year were new, high margin items versus sale and clearance items that benefit inventory reduction but are not necessarily beneficial to gross margin expansion.

Liquidity (USD m)	
Cash	38
ABL Availability	533
Total Liquidity at 27 October 2018	**571**

YoY Summary Comparison (USD m)		
	1Q18	1Q19
Total Sales Change	1.3%	-0.3%
Same Store Sales	3.8%	2.8%
Gross Profit Margin	37.0%	36.6%
Change in Inventory	1.3%	-11.5%
ABL Usage	339	366
ABL as % of Inventory	25.3%	30.8%
Availability	559	533

Liquidity Fiscal 2019 Forecast	
Total Liquidity at 1Q19	571
Post-Holiday Liquidity Improvement	170
DW Fiscal 2019 Adjusted EBITDA Forecast	489
Net Capex Plan - High End	(190)
Forecast Total Interest	(305)
Addback for PIK Toggle PIK Election	-
Amortization of Term Loan	(29)
Total Estimated Liquidity at 4Q19	**705**

Although the maturity schedule poses a challenge, we think NMG has ample liquidity. In our calculation, we have taken into account that the October quarter is the annual availability low, with USD 533m at 1Q19. However, we expect that by now, it is well above that level as it heads into the last few days of the Christmas selling season. At 4Q19 next July, we expect the company to be in the range of USD 705m.

Inventory and Accounts Payable Capital Summary (USD m)												
Fiscal Period:	FY16	FY 17	FY 18	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Period Ended:	30-Jul-16	29-Jul-17	28-Jul-18	29-Oct-16	28-Jan-17	29-Apr-17	29-Jul-17	28-Oct-17	27-Jan-18	28-Apr-18	28-Jul-18	27-Oct-18
Merchandise inventories	1,125	1,154	1,116	1,325	1,213	1,231	1,154	1,342	1,137	1,180	1,116	1,187
Accounts Payable	318	317	319	347	384	214	317	328	284	293	319	336
Ratio Analysis												
Inventory as % of Merchandise Sales	22.5%	24.2%	22.6%	121.2%	85.8%	109.3%	101.7%	121.2%	76.0%	100.3%	97.7%	107.5%
Payable as % of Inventory	28.3%	27.5%	28.6%	26.2%	31.7%	17.4%	27.5%	24.4%	25.0%	24.8%	28.6%	28.3%
Y/Y Change												
Merchandise inventories	-2.6%	2.6%	-3.3%	-1.9%	4.0%	2.5%	2.6%	1.3%	-6.3%	-4.1%	-3.3%	-11.5%
Accounts Payable	-7.3%	-0.3%	0.6%	7.4%	33.3%	-19.2%	-0.3%	-5.5%	-26.0%	36.9%	0.6%	2.4%

In addition to the gains the company has made in online revenue over the last few years, even with MyTheresa accounting for an outsized portion of the percentage increase, inventory management has been another highlight. When NMG was reporting the worst of its results, inventory management was exacerbating its challenges in the business.

But over the last year, that has changed, and we think it has helped contribute to the gains made in same store sales. For the year ended 4Q18, total inventory declined by 3.3% on consolidated revenue that rose by 3.8%. We compare that to 2015, when inventory increased by 7.9% on revenue growth of 5.3%. We believe that carrying that excess inventory led directly to the revenue declines of 1.7% in 2016 and 4.9% in 2017. When the company started to get its inventory position under control, the results in subsequent quarters benefitted. If the company is able to pivot to a model that generates a greater percentage of sales online and uses AI to focus on specific items of interest to customers based on past purchases, as it states it intends to do, then in theory, NMG can be more efficient on inventory management as it stocks to known demand patterns.

It is unclear if the strategic goal to use AI is meant to create a subscription model like a Stitch Fix, which sends specific items to the customer based on known preferences of that specific customer rather than enticing customers to buy what you offer. Stich Fix generated a gross profit margin of 43% on an LTM basis compared to 33% for NMG and 36% for Nordstrom. If this is Neiman's goal, it is compelling, especially with Stich Fix trading at an EV/Revenue of 1.35x, compared to Nordstrom's at 0.6x. increase. We don't think NMG is looking to create that business model per se, but perhaps a variation based on the personalized level of service it provides its most loyal customers

But, that is putting the car before the horse. Getting to the point where NMG could be heading will take money and, as it stated, five years. At the moment, it has leverage of above 10x and is in the midst of a recapitalization need that is growing increasingly contentious.

Data Source: *Debtwire* and Company Reports

PEER COMPS AND RECOVERY VALUE ESTIMATES:

While the adjusted EBITDA level is improving, it is still well below the level that can support a full recovery on its debt through the unsecured level. The best recovery option is scenario three (below), which is our full year estimate for adjusted EBITDA using Nordstrom's multiple. But even at that level, there isn't a par recovery on the secured debt. In order to calculate a recovery value on the unsecured debt at a level close to where it trades, we estimate that adjusted EBITDA would need to be in the range of USD 650m. In fiscal 2015, the company generated USD 711m, so it isn't out of the realm of possibility. But, given its debt maturity schedule, we don't see a path toward that amount within 24 months unless the NMG can begin to generate same store sales well in excess of the 2.8% level posted for 1Q19. Certainly the revenue gains in the online business are supplementing store sales, but the gross margin benefit has been minimal. As online sales continue to rise, we expect benefits from expense leverage, but gaining scale will take time. We recognize that the ABL level of USD 366m at 1Q19 is the annual high and will likely fall to a third of that level at the end of January. However, even if the ABL was at zero, the impact would be negligible.

COMPS, USD m												
Company	Net Debt	Market Cap	Enterprise Value	LTM EBITDA	EBITDA Multiple	EBITDA Margin	NTM EBITDA	NTM EBITDA Multiple	LTM Revenue	Revenue Multiple	NTM Revenue	NTM Revenue Multiple
Macy's Inc.	4,798	9,390	14,188	2,612	5.4x	10.2%	2,642	5.4x	25,711	0.6x	25,203	0.6x
Nordstrom, Inc.	1,559	8,134	9,693	1,539	6.3x	9.6%	1,678	5.8x	16,078	0.6x	16,397	0.6x
J.C. Penney	4,299	378	4,677	709	6.6x	5.8%	605	7.7x	12,264	0.4x	11,687	0.4x
Dillard's Inc	682	1,632	2,314	505	4.6x	7.7%	473	4.9x	6,556	0.4x	6,441	0.4x
Peer Average					5.7x			5.9x		0.5x		0.5x
Neiman Marcus Valuation	**4,874**		**4,874**	**471**	**10.4x**	**10.3%**	**517**	**9.4x**	**4,592**	**1.1x**		

Source: FactSet and *Debtwire* Estimates - NMG figures exclude MyTheresa.

Estimated Recovery (USD m)					
	Scenario #1 LTM Adj EBITDA At Peer Average EV	Scenario #2 LTM Revenue (ExMyT) At Peer Average EV	Scenario #3 FY '19E Adj EBITDA At Nordstrom EV	Scenario #4 LTM Revenue (ExMyT) At Nordstrom EV	
Neiman Marcus Level	471	4,592	489	4,592	
Peer Valuation	5.7x	0.5x	6.3x	0.6x	
Valuation	2,696	2,168	3,080	2,768	
Claim Pool					
Secured Claims					
USD 900m ABL	366	366	366	366	
Less Cash	(38)	(38)	(38)	(38)	
Total ABL Claim	328	328	328	328	
Additional Secured Claims					
Senior Secured Term Loan	2,803	2,803	2,803	2,803	
2028 Debentures	125	125	125	125	
Additional Secured Claims	2,928	2,928	2,928	2,928	
Total Secured Claims	3,256	3,256	3,256	3,256	
Unsecured Claims					
Cash Pay Notes	960	960	960	960	
PIK Toggle Notes	658	658	658	658	
Total Unsecured Claims	1,618	1,618	1,618	1,618	
Total Claims	4,874	4,874	4,874	4,874	
Estimated Recovery					
Value available to ABL Claim	2,696	2,168	3,080	2,768	
ABL Claim	328	328	328	328	
Recovery for ABL Claim	100.0%	100.0%	100.0%	100.0%	
Value available to Additional Secured Claims	2,367	1,840	2,751	2,440	
Additional Secured Claims	2,928	2,928	2,928	2,928	
Recovery for Secured Claims	80.9%	62.9%	94.0%	83.3%	
Residual Value for Unsecured	0	0	0	0	
Unsecured Claims	1,618	1,618	1,618	1,618	
Value available to Unsecured	0.0%	0.0%	0.0%	0.0%	
Summary Recoveries					Trading Price
USD 900m ABL	100.0%	100.0%	100.0%	100.0%	100
Senior Secured Term Loan	80.9%	62.9%	94.0%	83.3%	86
2028 Debentures	80.9%	62.9%	94.0%	83.3%	73
Cash Pay Notes	0.0%	0.0%	0.0%	0.0%	48
PIK Toggle Notes	0.0%	0.0%	0.0%	0.0%	51

Source: *Debtwire* and SEC documents

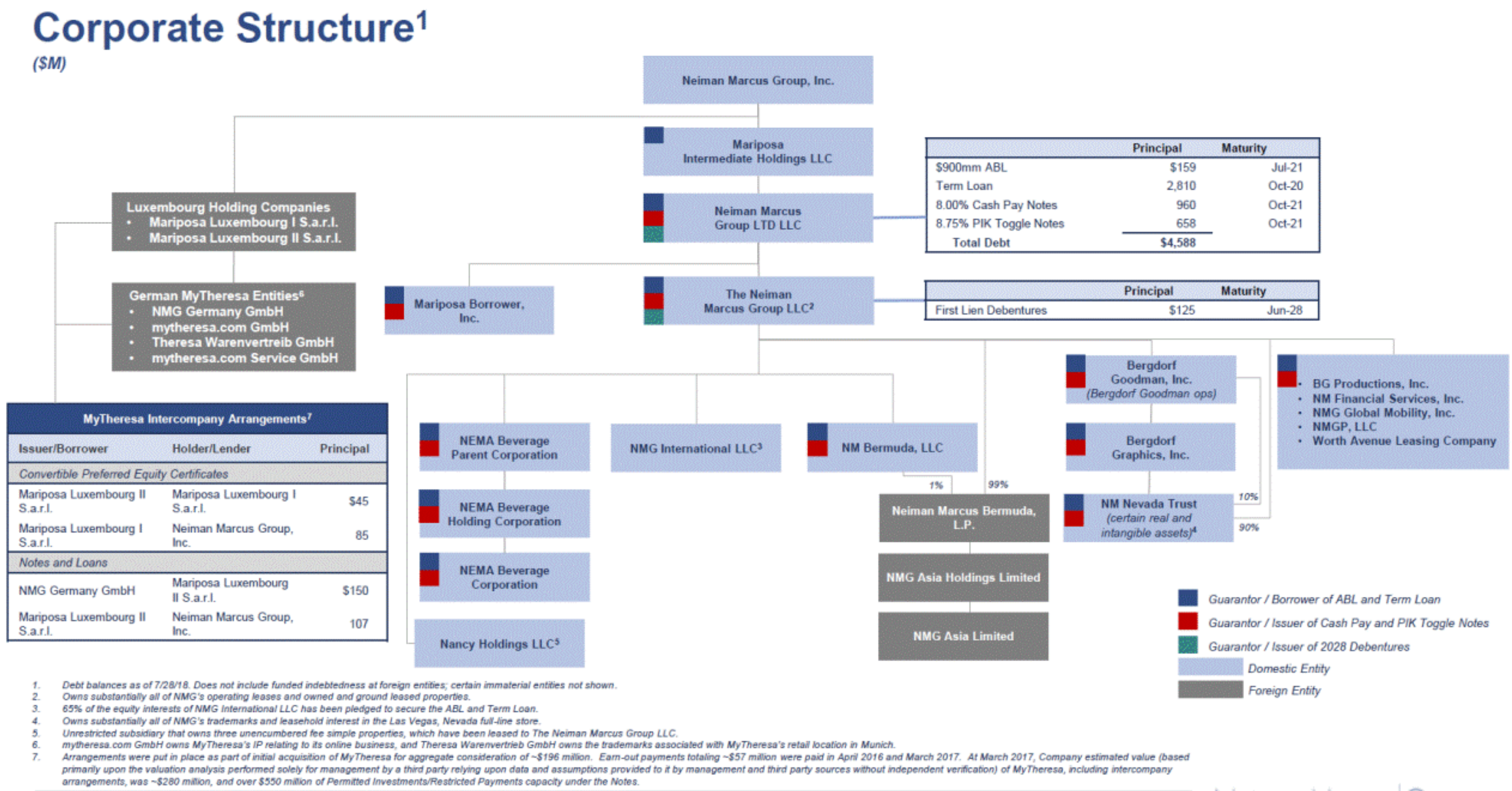
USD millions	Annual				Quarter								
Fiscal Period:	FY16	FY17	FY18	LTM	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Period Ended:	30-Jul-16	29-Jul-17	28-Jul-18	27-Oct-18	29-Oct-16	28-Jan-17	29-Apr-17	29-Jul-17	28-Oct-17	27-Jan-18	28-Apr-18	28-Jul-18	27-Oct-18
Income Statement			As Reported						Adjusted				
Total Net Sales	4,949	4,706	4,900	4,873	1,079	1,396	1,111	1,120	1,096	1,482	1,165	1,133	1,093
Other (Income from Credit Card)	61	61	46	46	14	17	15	15	12	14	11	9	12
Total' Revenue	5,010	4,767	4,946	4,918	1,093	1,413	1,126	1,135	1,108	1,496	1,176	1,142	1,104
Cost of Sales	(3,323)	(3,220)	(3,320)	(3,297)	(700)	(982)	(731)	(807)	(698)	(1,024)	(756)	(817)	(700)
Gross Profit	1,687	1,547	1,626	1,621	393	431	395	328	409	472	420	325	404
Selling, general and administrative	(1,118)	(1,128)	(1,179)	(1,161)	(276)	(308)	(265)	(279)	(295)	(322)	(281)	(281)	(277)
Depreciation and Amortization	(338)	(331)	(312)	(305)	(85)	(84)	(81)	(81)	(81)	(77)	(77)	(77)	(74)
Other expenses	(27)	(30)	(38)	(44)	(7)	(5)	(11)	(7)	(3)	(13)	(11)	(11)	(9)
Impairment Charges	(466)	(511)	0	0	0	(154)	-	(357)	0	0	0	0	0
Operating Earnings	(262)	(453)	98	111	25	(120)	38	(396)	31	60	51	(44)	44
Reported Adj. EBITDA	585	434	477	489	123	127	136	48	122	154	144	56	135
LTM Adj. EBITDA	585	434	477	489	544	488	451	434	433	460	468	476	489
Interest Expense	285	295	307	312	72	74	73	76	76	76	78	77	81
LTM Interest Expense	285	295	307	312	285	288	288	295	299	301	306	307	312
Net Income (Loss)	(406)	(532)	251	249	(24)	(117)	(25)	(366)	(26)	372	(20)	(75)	(28)
Balance Sheet													
Current Assets													
Cash & Equivalents	62	49	38	38	42	48	54	49	41	36	38	38	38
Credit Card Receivables	38	39	34	49	43	37	49	39	44	42	53	34	49
Merchandise inventories	1,125	1,154	1,116	1,187	1,325	1,213	1,231	1,154	1,342	1,137	1,180	1,116	1,187
Prepaid exp and other current assets	108	146	124	207	142	130	162	146	134	144	112	124	207
Non-Current Assets	1,333	1,388	1,312	1,481	1,552	1,428	1,496	1,388	1,561	1,359	1,383	1,312	1,481
PP&E, Net	1,588	1,587	1,570	1,544	1,607	1,601	1,601	1,587	1,560	1,557	1,566	1,570	1,544
Favorable Leases	985	931	879	866	972	957	944	931	918	904	891	879	866
Intangible assets	4,332	3,781	3,739	3,528	4,321	4,147	4,136	3,781	3,778	3,770	3,765	3,739	3,528
Other long-term assets	17	16	45	44	13	23	20	16	23	37	45	45	44
Total Assets	8,255	7,703	7,545	7,462	8,465	8,156	8,197	7,703	7,839	7,627	7,649	7,545	7,462
Current Liabilities													
Accounts Payable	318	317	319	336	347	384	214	317	328	284	293	319	336
Accrued Liabilities	493	457	512	501	485	510	441	457	514	532	504	512	501
CPLTD	29	29	29	29	29	29	29	29	29	29	29	29	29
Non-Current Liabilities	840	803	860	866	861	923	684	803	871	845	826	860	866
Gross Debt	4,613	4,704	4,652	4,858	4,802	4,615	4,878	4,704	4,812	4,601	4,667	4,652	4,858
Net Debt	4,551	4,655	4,614	4,820	4,760	4,567	4,824	4,655	4,771	4,565	4,629	4,614	4,820
Other long-term liabilities	1,888	1,758	1,303	1,318	1,908	1,838	1,877	1,758	1,733	1,371	1,356	1,303	1,318
Total Liabilities	7,312	7,236	6,786	7,013	7,542	7,347	7,410	7,236	7,387	6,788	6,820	6,786	7,013
Shareholders' Equity	943	467	759	449	923	809	787	467	452	839	829	759	449
Total Liab. & Shareholders' Equity	8,255	7,703	7,545	7,462	8,465	8,156	8,197	7,703	7,839	7,627	7,649	7,545	7,462

Source: *Debtwire* and SEC documents

USD millions									Restated				
Fiscal Period:	FY16	FY17	FY18	LTM	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Period Ended:	30-Jul-16	29-Jul-17	28-Jul-18	27-Oct-18	29-Oct-16	28-Jan-17	29-Apr-17	29-Jul-17	28-Oct-17	27-Jan-18	28-Apr-18	28-Jul-18	27-Oct-18
Cash Flow Statement													
Adjusted EBITDA	585	434	477	489	123	127	136	48	122	154	144	56	135
Capital Expenditures	(301)	(205)	(175)	(178)	(65)	(49)	(47)	(44)	(25)	(41)	(44)	(65)	(28)
Total Interest Expense	(285)	(295)	(307)	(312)	(72)	(74)	(73)	(76)	(76)	(76)	(78)	(77)	(81)
Add-Back for PIK Interest	16	17	42	28	4	4	4	5	14	15	13	0	0
Free Cash Flow Levered	**15**	**(49)**	**37**	**28**	**(10)**	**8**	**20**	**(67)**	**35**	**52**	**35**	**(86)**	**27**
Net Cash from Operating Activities	310	147	297	176	(132)	248	(186)	217	(57)	252	18	84	(178)
Net Cash from Investing Activities	(302)	(205)	(175)	(188)	(65)	(48)	(49)	(43)	(25)	(41)	(43)	(66)	(38)
Net Cash from Financing Activities w/ FX impact	(19)	45	(133)	8	177	(192)	241	(181)	74	(216)	28	(19)	215
Net Change in Cash	**(11)**	**(13)**	**(11)**	**(4)**	**(20)**	**6**	**6**	**(7)**	**(8)**	**(5)**	**3**	**(1)**	**(1)**
Cash at Beginning of the Period	73	62	49	41	62	43	50	56	49	41	36	39	38
Net Change in Cash	(11)	(13)	(11)	(5)	(20)	6	6	(7)	(8)	(5)	3	(1)	(1)
Cash at the End of the Period	**62**	**49**	**38**	**38**	**43**	**50**	**56**	**49**	**41**	**36**	**39**	**38**	**38**
Ratio Analysis													
Y/Y Total Revenue Growth	-1.7%	-4.9%	3.8%	2.9%	-7.2%	-6.0%	-4.9%	-0.9%	1.3%	5.9%	4.4%	0.6%	-0.3%
Gross Margin Merchandise	33.7%	32.5%	32.9%	33.0%	36.0%	30.5%	35.1%	28.9%	37.0%	31.6%	35.7%	28.5%	36.6%
SG&A as % of Sales	22.3%	23.7%	23.8%	23.6%	25.3%	21.8%	23.5%	24.6%	26.6%	21.5%	23.9%	24.6%	25.1%
Rent Expense	119	116	122	123	27	29	27	33	28	31	32	32	28
Adj. EBITDA Margin	11.7%	9.1%	9.6%	9.9%	11.3%	9.0%	12.1%	4.2%	11.0%	10.3%	12.2%	4.9%	12.2%
Net Income Margin	-8.1%	-11.2%	5.1%	5.1%	-2.2%	-8.3%	-2.2%	-32.2%	-2.3%	24.9%	-1.7%	-6.6%	-2.5%
LTM Adj EBITDAR-CAPEX/LTM Cash Interest + LTM Rent	1.0x	0.9x	1.1x	1.1x	1.0x	0.9x	0.9x	0.9x	1.0x	1.1x	1.1x	1.1x	1.1x
Total Debt / LTM Adj. EBITDA	7.9x	10.8x	9.8x	9.9x	8.8x	9.5x	10.8x	10.8x	11.1x	10.0x	10.0x	9.8x	9.9x
Net Debt / LTM Adj. EBITDA	7.8x	10.7x	9.7x	9.9x	8.8x	9.4x	10.7x	10.7x	11.0x	9.9x	9.9x	9.7x	9.9x
Adj. EBITDA / LTM Interest Expense	**2.1x**	**1.5x**	1.6x	**1.6x**	**1.9x**	**1.7x**	**1.6x**	**1.5x**	**1.4x**	**1.5x**	**1.5x**	**1.6x**	**1.6x**

Working Capital Summary (USD m)												
Fiscal Period:	FY16	FY 17	FY 18	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Period Ended:	30-Jul-16	29-Jul-17	28-Jul-18	29-Oct-16	28-Jan-17	29-Apr-17	29-Jul-17	28-Oct-17	27-Jan-18	28-Apr-18	28-Jul-18	27-Oct-18
Total Revenue	5,010	4,767	4,946	1,093	1,413	1,126	1,135	1,108	1,496	1,176	1,142	1,104
Credit Card Receivables	38	39	34	43	37	49	39	44	42	53	34	49
Merchandise inventories	1,125	1,154	1,116	1,325	1,213	1,231	1,154	1,342	1,137	1,180	1,116	1,187
Prepaid & other current assets	108	146	124	142	130	162	146	134	144	112	124	207
Accounts Payable	318	317	319	347	384	214	317	328	284	293	319	336
Accrued liabilities	493	457	512	485	510	441	457	514	532	504	512	501
Ratio Analysis												
Inventory as % of Merchandise Sales	22.5%	24.2%	22.6%	121.2%	85.8%	109.3%	101.7%	121.2%	76.0%	100.3%	97.7%	107.5%
Payable as % of Inventory	28.3%	27.5%	28.6%	26.2%	31.7%	17.4%	27.5%	24.4%	25.0%	24.8%	28.6%	28.3%
Y/Y Change												
Merchandise inventories	-2.6%	2.6%	-3.3%	-1.9%	4.0%	2.5%	2.6%	1.3%	-6.3%	-4.1%	-3.3%	-11.5%
Accounts Payable	-7.3%	-0.3%	0.6%	7.4%	33.3%	-19.2%	-0.3%	-5.5%	-26.0%	36.9%	0.6%	2.4%
Availability												
ABL Usage	165	263	159	355	170	435	263	339	132	162	159	366
ABL as % of Inventory	14.7%	22.8%	25.3%	26.8%	14.0%	35.3%	22.8%	25.3%	11.6%	13.7%	14.2%	30.8%
WC	**460**	**565**	**443**	**678**	**486**	**787**	**565**	**678**	**507**	**548**	**443**	**606**
WC Change	**15**	**105**	**(122)**	**218**	**(192)**	**301**	**(222)**	**113**	**(171)**	**41**	**(105)**	**163**
Performance Metrics												
Total Merchandise Sales % Change	-1.7%	-4.9%	3.8%	-7.2%	-6.0%	-4.9%	-0.9%	1.3%	5.9%	4.4%	0.6%	-0.3%
Same Store Sales % Change	-4.1%	-5.2%	4.9%	-8.0%	-6.8%	-4.9%	-0.5%	3.8%	6.7%	6.0%	2.3%	2.8%
Percent of revenue transacted online	29.0%	31.3%	34.5%	29.2%	31.4%	32.0%	0.0%	32.2%	34.2%	35.7%	35.7%	33.1%
Online Comp Sales % Change	4.4%	2.5%	15.0%	NA	-0.5%	2.1%	9.0%	15.4%	15.7%	17.1%	NA	8.9%
Gross Profit Margin	33.7%	32.5%	32.9%	36.0%	30.5%	35.1%	28.9%	37.0%	31.6%	35.7%	28.5%	36.6%
YoY Change In GPM	-1.4%	-1.2%	0.4%	-1.6%	-1.2%	-2.2%	0.3%	1.0%	1.0%	0.6%	-0.4%	-0.3%
SG&A $/Gross Profit $	66.3%	72.9%	72.5%	70.2%	71.5%	67.1%	85.1%	72.1%	68.2%	66.9%	86.5%	68.5%
Store Count												
Full-line stores	44	44	44	44	44	44	44	44	44	44	44	44
Last Call	42	38	24	42	41	41	38	38	27	27	24	24

Source: *Debtwire* and SEC documents



Source: Neiman SEC Filing 30 November 2018

ADJUSTED EBITDA RECONCILIATION:

Adjusted EBITDA Reconciliation (USD m)		
	1Q18	1Q19
Gross Profit	409	404
SG&A Ex-D&A	(296)	(278)
Other Expense	(3)	(9)
EBITDA	111	117
Strategic Initiative Expense		7
New Store opening	1	5
Stock compensation	7	2
Rent expense adjustment	2	2
Store closure	1	
Other Expense (Net)	0	2
Adjusted EBITDA	122	135
MyTheresa Impact	2	(1)
Pro Forma Adjusted EBITDA	119	136

INVOLVED PARTIES:

Involved Parties		
	Administrative Agent/Trustee	Largest Holders
USD 900m ABL	Deutsche Bank	Deutsche Bank Wells Fargo JP Morgan Chase Bank of America Royal Bank of Canada Sun Trust BMO Harris Bank Credit Suisse
Senior Secured Term Loan	Credit Suisse	Lord Abbett Oppenheimer Funds Capita Group Invesco Eaton Vance Allianz Apidos CLO Manulife
2028 Debentures	Bank of New York Mellon	Vanguard Group Putnam Investments Blackrock Prudential Financial Torchmark Corp Goldman Sachs Power Corp of Canada Quaker Funds
8% Cash Pay Notes	US Bank NA	Southeastern Asset Management JP Morgan Chase Alliance Bernstein Capital Group Allianz Blackrock Schroders Prudential Financial
PIK Toggle Notes	US Bank NA	Southeastern Asset Management Capital Group JP Morgan Chase Schroders Lord Abbett Alliance Bernstein Putnam Investments SEI Investments

Source: Company documents, SEC filings.